



Australian
Shareholders'
Association

ASA Company Monitoring Committee

MONITORS' MANUAL

This manual was prepared by the Australian Shareholders' Association. Membership of the ASA is open to shareholders and other interested persons. For information on the benefits of membership contact:

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IMPORTANT: this manual will be updated from time to time. Any changes will be advised to monitors via email and also posted to the *Monitor Resources* section of the ASA website.

Amendments to Monitors' Manual

Please use this page to track any updates or amendments to this manual.

Date of amendment	Details
April 2016	<ul style="list-style-type: none"> • 2016 focus issues • Revised voting guidelines • New templates – Introduction to Chairman, VI and AGM reports
March 2017	<ul style="list-style-type: none"> • 2017 focus issues • Revised voting guidelines • New templates – Introduction to Chairman, VI and AGM reports
March 2018	<ul style="list-style-type: none"> • 2018 focus issues • Revised voting and engagement guidelines • New templates – Introduction to Chairman, VI and AGM reports • ASA Media and Public Statements Policy
June 2019	<ul style="list-style-type: none"> • 2019 focus issues • Revised voting and engagement guidelines • New templates – Introduction to Chair, VI and AGM reports • ASA Media and Public Statements Policy • Updated Monitoring Review Panel

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1. Welcome to Company Monitoring

The Australian Shareholders' Association (ASA) started in 1960 with the aim of protecting and furthering the interests of small shareholders and other investors. Since then, ASA has positively influenced Australian board and company outcomes and provided members a pathway to financial literacy, helping them become smarter investors. ASA is dedicated to improving the standard of corporate governance and directorship in Australia.

Monitoring focuses on two broad areas of interest to all investors:

**Financial
performance**

**Corporate
governance**

Engagement is by far the most effective form of shareholder activism.

Role of company monitors

The role of the monitor is to engage with their assigned or chosen company and assess the performance and proposed future actions of the company. Broadly, this will involve:

- Engagement with the Chair, directors and executives of the monitored companies on issues of importance to retail shareholders
- Deciding how the ASA will vote its proxies at company meetings
- Attending company meetings, asking questions and voting proxies

October to November AGM season is the busiest for monitors, although we encourage monitors to keep abreast of key developments and any interesting news about monitored companies throughout the year, as well as review the current year focus items and any revised ASA voting guidelines which are issued in the first half of the year.

The ASA provides detailed monitoring resources to all monitors to support their role. These are available on the ASA website via My Company Monitoring (under My Account). CMC Chairs are available to provide assistance and support, as is the Policy & Advocacy Manager and the team at the ASA National Office.

ASA voting guidelines

The ASA voting guidelines have evolved over the years, reflecting various corporate, financial and regulatory disclosure and governance issues as they arise. The ASA monitors companies and determines its voting intentions in accordance with the ASA voting guidelines, which are set out in full in **Appendix 8**.

This document sets out the ASA's views and position on the following specific areas:

- A. Governance and transparency
- B. Executive remuneration
- C. Capital management

The ASA voting guidelines are updated from time to time and any updates will be communicated to you. The latest version of the [ASA voting guidelines can be accessed on our website](#) under Advocacy & monitoring/Voting & engagement guidelines.

2. 2019 focus issues

Each year the ASA agrees a set of focus issues for the year. These are determined around March/April and reflect current market trends and best practice governance and remuneration guidelines.

Item	Commentary
<p>1. Board composition</p>	<p>ASA increased the focus on board composition and director skills following the evidence of misconduct and a lack of urgency in some companies in addressing egregious behaviour as revealed in the hearings of the 2018 Royal Commission into Misconduct in the Banking, Superannuation and Financial Services Industry.</p> <ul style="list-style-type: none"> • At election or re-election of a director, the notice of meeting should include the <u>detailed skills the director brings to the board</u> of the company at that time, and how those skills meet the requirements of the board in the coming years. The company should include a statement of director skills in the annual report and on the company website that demonstrates the suitability of directors for the role. • Boards should have an <u>independent chairman</u>, a <u>majority of independent directors</u> and <u>only one executive director</u>. Where the chairman isn't independent, a lead independent director should be appointed to represent shareholders' interests. Companies need a good reason to appoint a second executive, especially one who reports to the Managing Director, to the board. • Boards should comprise <u>at least 30% female directors and at least 30% male directors</u>. The 30% target is consistent with the target set for ASX300 companies at the end of 2018 by the Australian Institute of Company Directors (AICD). The average percentage of female directors for S&P ASX200 companies as at April 2019 was 29.6%, up from 26.7% in 2018. There are 4 S&P ASX200 boards without any female directors: ARB, Emeco, HUB24 and TPG Telecom.
<p>2. Remuneration disclosure</p>	<p>Long-term incentive schemes should require behaviour that is measured cumulatively or on average over a number of years, preferably four or five:</p> <ul style="list-style-type: none"> • ASA will only support a remuneration scheme where there are long-term hurdles • Market value should be used to calculate LTI grants, not fair value. • A table of actual CEO and KMP take-home remuneration should be provided in the remuneration report. <p>The aim is to encourage greater transparency and meaningful information in remuneration reports. Companies are encouraged to move away from standard disclosure which simply complies with statutory requirements and draw the link between the scheme and behaviour it is designed to encourage.</p>

Item	Commentary
3. Skin in the game	<p>ASA encourages non-executive directors and executive key management personnel (KMP) to have a meaningful equity investment in the company to align them with shareholders' interests. Many companies have introduced minimum shareholding guidelines which mirror ASA's guidelines. Key ASA hurdles include:</p> <ul style="list-style-type: none"> • <u>NEDs</u>. A non-executive director who has served three years on a board should have invested one year's fees in the company's shares • <u>Executive KMP</u>. A CEO should own one year's fixed remuneration in the company's shares after five years in the role. A lower minimum holding is expected for other executive KMP.
4. Shareholder participation	<p>Companies should maximise shareholder information and engagement through data releases of the number of shareholders:</p> <ul style="list-style-type: none"> • voting on AGM resolutions, including a break-down of for and against, as in a scheme of arrangement vote. • participating in capital raisings including trading renounceable rights, and dividend reinvestment plans.

The ASA voting guidelines and focus issues should be utilised by monitors to review the performance and proposed future actions of monitored companies.

3. Monitors checklist

1.	Early in the year send letter introducing monitor to Chair (Appendix 7) to the company
2.	Notify company you wish to receive its ASX announcements alerts and monitor the ASX website
3.	Review ASX final results on announcement (Appendix 4E), commence financial analysis and raise any obvious issues with your CMC Chair – Do not wait for the full hard copy Annual Report before commencing your review
4.	Advise the National Office of the details of the AGM by email (location, date and time) – companies often announce the AGM date in advance and/or publish details on its website or you can ask the Company Secretary, who will likely know the date much earlier
5.	Receive the Notice of Meeting/Annual Report and review them in conjunction with relevant announcements or analyst briefings
6.	Arrange a meeting with the Chair of the company – <i>aim for around 3 weeks before AGM - voting intentions are due 2 weeks before the AGM</i> . It is recommended you find another monitor (buddy) to attend with you to take notes, exchange ideas, etc; your CMC Chair or team leader will assist (see p7)
7.	Prepare (or scope out) voting intentions in accordance with the ASA voting guidelines (see template in Appendix 7) – voting intentions explain how the ASA plans to vote on resolutions, so they need to be finalised and posted on the ASA website at least 2 weeks prior to the AGM to provide investors with time to consider whether to appoint ASA as proxy and to post the proxy form
8.	Meet with Chair before the AGM to discuss any key issues, sending an agenda outlining the topics for discussion to the Chair beforehand, and any specific questions that may require directors to research. Based on meeting responses make any required changes to voting intentions. Advise company that you wish to call a poll on all resolutions (if a poll is not intended)
9.	Send completed voting intentions to your CMC Chair or team leader for review
10.	Once voting intentions are approved, email a copy to National Office as set out in Appendix 2 . The National Office will advise you when the website has been updated, and you can email the final version to the company
11.	Prepare questions for the AGM (see Appendix 3 for tips for effective AGM questioning)
12.	A few days before AGM, send very brief outline of the 3 or 4 questions you plan to ask or an indication of the topics of the proposed questions, in addition to reminding company that you would like to request a poll be conducted on all resolutions at AGM if that isn't case.
13.	Email/fax the Corporate Proxy Representative Form (available via Monitor Resources under My Company Monitoring on ASA website) to the share registry at least 48 hours before the AGM unless you have confirmed that it will be accepted on the day of the meeting.
14.	Attend the AGM and cast proxy votes in accordance with the ASA voting guidelines and the voting intentions (do not forget to bring Corporate Proxy Representative Form)
15.	Following the AGM, prepare an AGM report (see template in Appendix 7) – these should be completed within 1 week after the date of the AGM

4. Getting started

Deciding which companies to monitor

ASA aims to monitor the ASX200 companies. The list of companies monitored in each State is determined by individual company monitors in consultation with his or her CMC Chair. A list of the monitored companies, including the allocated company monitor, is available on the ASA website.

Typically monitoring responsibility for a company is with the State where the company is headquartered or the registered office is located. There may be instances where this is not practical or for other reasons the Company Monitoring Committee of a different State agrees to take responsibility for monitoring the company.

When choosing which companies to monitor, please consider when those companies would usually hold their AGMs. Plan ahead, as it is important that the monitor is available to attend the pre-AGM meeting and the AGM (unless it is an interstate AGM). Companies generally hold their AGMs around the same date each year.

From time to time, an issue with an *unmonitored* company may arise which warrants attention, or a monitor may wish to attend an *unmonitored* company meeting on behalf of the ASA. In order to maintain consistency in the monitoring process, it is important that companies which are added to the list during the year are dealt with in accordance with the ASA voting guidelines.

NOTE: If monitors choose to attend AGMs in their private capacity, do not identify yourself as a representative of the ASA. If the meeting is for an unmonitored company, you may be able to collect ASA's proxies at that meeting. The proxy collection guidelines are set out in **Appendix 5**. Please discuss with the Policy & Advocacy Manager for more information.

Correspondence with companies

There are a number of occasions each year when you will be required to write to the monitored company. These occasions include:

- Introducing yourself when you first start monitoring a company and at the beginning of the year/season – use the ASA template letter (see **Appendix 7**), which also sets out ASA's focus issues for the year
- Notifying the company of key issues and arranging a pre-AGM meeting – this is often in the few weeks before the AGM, but we also encourage monitors to keep in touch and meet with companies during the year as well. To make the most of this meeting, send the company a list of questions in advance
- Other instances – for example, requesting a company to lift the cap on a share purchase plan (SPP) or to send a reminder email to shareholders when an SPP is “in the money” (see **Appendix 7** for ASA template letter).

It is sometimes useful to arrange a meeting with the company **outside of the AGM season** to discuss key ASA concerns and areas for improvement as this may help build a relationship with the company. There are likely to be topics you can discuss to deepen your knowledge of the business:

- Following the announcement of interim results or significant events
- To follow up issues arising from the AGM, especially if the company has received a strike or remuneration issues were raised at the last meeting
- When new or revised incentive plans are being introduced – note that there is lead time of around 2 years to introduce a new scheme

ASA website and monitor resources

The ASA website* contains resources to help monitors perform their role. Once you become a monitor and you have been added to the monitoring group on the website, there will be a new tab, *My company monitoring*, under *My Account* on the ASA website (*My Account* appears at top right corner of the ASA website, next to the *logout* button.)

- At the top of the *My company monitoring* page you will find a link to *Monitor Resources* (including the latest monitor manual, template documents and other guidance).
- The list below under *My companies* displays all the companies you are associated with in a monitoring role. The view can be sorted ascending or descending on any column you prefer by clicking on the column heading or clicking again to reverse the order. The default view you see is sorted by AGM date.
- You can also export the report using the blue Export button at the top right of the list. We suggest using export to CSV, and then saving the file in Excel for the most useful output (numbers are recorded as text if you export directly to Excel).
- Clicking on the linked company name will take you to the details of the AGM and the voting intentions and AGM reports that you can download (only if the final reports have been submitted). You can access historic voting intentions and AGM reports (those other than the upcoming or most recent meeting) under a separate page: Advocacy & monitoring/Historical voting intentions & AGM reports.
- The bottom list *My monitoring teams* lists each of the companies you are associated with and if you click the arrow beside the name, you will find the list of your fellow monitoring team members for that particular company. Any new documents and updates will be provided to monitors via email and also posted to the *Monitor Resources* section of the ASA website.

Monitor Resources on Dropbox

A selection of Monitor Resources are also included in a Dropbox folder. There are additional materials in the Dropbox folder, including research reports, examples of good annual reports and remuneration disclosures.

Contact the Policy & Advocacy Manager for a web link to the Dropbox folder.

Further resources or assistance

This manual contains much of the information you need to start monitoring a company. Your CMC Chair is available to assist you, as is the Policy & Advocacy Manager.

The company monitoring timeline

Full year results

- Start your analysis when the preliminary final report (Appendix 4E) is released
- Do not wait for hard copy documents or the full Annual Report, as very often the Appendix 4E will include the Directors Report and Remuneration Report

AGM date

- A listed company must hold an AGM within five months of its balance date and send a notice of meeting not less than 28 days before the AGM
- Determine the date of the AGM and notify the National Office, who will add the AGM to the list of upcoming AGMs on the ASA website

Voting intentions

- Once the Notice of Meeting is available, commence preparing your voting intentions
- The deadline for voting intentions is **two weeks** before the date of the AGM, so as to allow ample time for shareholders to review the voting intentions and send in proxy forms to the share registry

Pre-AGM meeting

- As soon as possible after reviewing the Annual Report and identifying the key issues, write to the company to arrange a meeting with Chair/NED
- The meeting is key to clarifying and resolving any issues, including in relation to the resolutions

Finalise voting intentions

- Once you have completed your voting intentions, send them to your CMC Chair for review
- Once your CMC Chair has approved the voting intentions, email them to National Office
- National Office will then finalise and post them to the ASA website

Attend the AGM

- Prepare questions for the AGM. It may be appropriate to include some of the questions discussed at the pre-AGM meeting for the edification of shareholders attending
- Prepare your AGM report within **one week** after the meeting - it's often easier to do whilst the events are still fresh

You may be able to join the financial analyst presentation for a detailed review of the results and the request to do so is in your introductory letter. It is important to send this out as soon as possible.

BRING A BUDDY: It is useful to bring a buddy monitor (or assistant monitor where the role exists) to the pre-AGM meeting and actual AGM, so you can bounce ideas off each other. Speak to your CMC Chair to see if this can be arranged for your monitored companies.

5. Voting intentions

The Notice of Meeting will set out the resolutions to be considered at the meeting. Company monitors must consider whether to vote undirected proxies in favour or against each resolution taking into account the ASA voting guidelines, the focus issues and the additional guidance set out in **Appendix 1** and voting intentions template – see **Appendix 7**.

REMEMBER: You are not voting on your own behalf, you are a conduit for the proxy votes of ASA members. Votes must be cast in accordance with ASA voting guidelines, which have been carefully considered and refined to reflect overall members' sentiment.

Writing voting intentions

Please use the template, as includes all the details necessary for the voting intentions to be finalised and uploaded to the website.

Item/resolution number

Please use the numbers from the Notice of Meeting.

ASA vote

For, Against, Abstain or Undecided. Generally, this would be For or Against.

The ASA should not abstain from voting. You should not make a final decision to elect to *Abstain* from voting on a resolution unless approved by your CMC Chair and the National Office. At times it may be appropriate to be *Undecided* until the pre-AGM or until question time at the AGM.

Summary of ASA position

This is the section in which the ASA's reasons are explained. This should provide a concise explanation of the vote and refer to relevant ASA voting guidelines. Provide details of any key issues identified and changes from last year if relevant.

Whilst monitors have their own individual styles of writing it is important to remember:

- Our voting intentions indicate the ASA's intention on how it will vote undirected proxies to shareholders, the monitored company as well as the media. Bear in mind the following:
 - Keep it simple and focus on what retail shareholders need to know
 - Write in a measured, unbiased and reasonable tone
 - Include a well-reasoned explanation for the voting intentions, where appropriate by highlighting areas which are consistent/inconsistent with the ASA voting guidelines
 - The voting intentions should be capable of being read as a standalone document, so if helpful include a short description of what is being proposed if it is not obvious from the heading
 - Our voting intentions are not a buy/sell/hold recommendation or intending to influence a person's decision whether or not to invest in a company

- Members will have different levels of understanding and the document should be accessible to as many members as possible – in this regard, you will need to balance the need to provide informative commentary with readability.

CONSIDER: Many of the issues to be considered when preparing voting intentions are the same each year and similar across companies. **Appendix 1** provides further guidance and examples for voting on a number of common resolutions.

Process to finalising voting intentions

Follow these steps when deciding how to vote undirected proxies on resolutions:

- Review the Appendix 4E (and annual report if available) and notice of meeting having regard to the ASA voting guidelines and the current year focus issues
- Identify the performance and governance issues to be taken up with the company before and/or during the AGM
- Discuss any contentious issues with your CMC Chair, clarifying any issues with the company if appropriate to do so
- Forward your voting intentions to your CMC Chair for review
- Once your CMC Chair has approved the voting intentions, email the voting intentions to Policy & Advocacy Manager.

REMEMBER: Voting intentions should be agreed between the monitor and the CMC Chair before emailing to Policy & Advocacy Manager.

Voting contrary to the ASA voting guidelines

An occasion may arise where you feel, on balance, it is not appropriate to insist that the guideline be strictly applied when voting on a resolution. However, it is important that any voting decisions are consistent with the ASA's treatment of other monitored companies. In the event that you wish to vote open proxies in a way that is substantially different to the ASA voting guidelines, whether it is For or Against a resolution:

- Clearly explain in your voting intentions your reasons on an "if not, why not" basis – that is, explain the reasons why despite non-alignment with the ASA voting guidelines, you have decided to vote in a particular way. This shows that we have not simply ignored a relevant voting guideline
- Discuss the vote with your CMC Chair and obtain the CMC Chair's approval for the vote *prior to discussing with the company*
- You should provide your draft voting intentions to the Policy & Advocacy Manager for final approval as early as possible before the AGM.

Monitoring Review Panel

The ASA has put in place a Monitoring Review Panel to review selected voting intentions with the objective of ensuring greater consistency in voting both across and within states. The operating guidelines for the panel set out in **Appendix 4** lists out the people who can refer a voting intention to the panel, which includes the monitor for the company in question, his/her CMC Chair, the interstate representative or CMC Chair for an interstate AGM, the Policy & Advocacy Manager and CEO. The guidelines also include examples of types of issues suitable for review.

Panel review may take a few days so if you think there is anything that might be controversial in your voting intentions, it is best to alert your CMC Chair or the Policy & Advocacy Manager as soon as possible.

The panel will also undertake a quality assurance exercise outside of AGM season, to assist in achieving the consistency mentioned above and to provide input for training purposes.

Regulatory requirements

Most resolutions put to a shareholder vote are required under the [Corporations Act](#) or the [ASX Listing Rules](#). The relevant provisions are generally set out in the explanatory notes to the Notice of Meeting.

The [ASX Corporate Governance Principles and Recommendations](#) (CG Principles) are also relevant as each ASX listed entity is required under Listing Rule 4.10.3 to include a corporate governance statement in their annual report or a link to its website where the statement is located. The corporate governance statement discloses the extent to which the company has followed the CG Principles on an “if not, why not” basis. [The 4th Edition was released on 27 February 2019](#) and takes effect for a listed entity's first full financial year commencing on or after 1 January 2020.

Monitors should familiarise themselves with the CG Principles as they cover matters which are relevant to resolutions put to meetings, such as board composition, independence and remuneration matters. In this regard, resources such as the [Public Companies Guide](#) produced by Baker & McKenzie may be useful.

Issues outside the ambit of the resolutions

There may be issues which are not the subject of a resolution. You should first discuss any additional issues with your CMC Chair. These issues should be addressed in the following ways:

- Financial - Issues of financial performance should be noted in the item “Receipt of financial reports”. This is generally the first item on the Notice of Meeting.
- Governance - You should be aware of the ASA voting guidelines and focus issues and consider how the company measures up on each of these. If you are unsure where to mention an item in a voting intention, discuss this with your CMC Chair.

Any questions arising from the company's reports and financial statements should be raised with the company at the pre-AGM meeting.

Extraordinary general meetings

From time to time, companies may hold an extraordinary general meeting (EGM). EGMs are frequently very important meetings and often deal with issues fundamental to the future structure or strategy of the company. If any of these meetings arise, please advise the National Office of the date of the meeting and finalise your voting intentions in the usual manner.

Financial advice and decisions of a commercial nature

Under Australian Corporations law, a person needs an Australian financial services licence (AFSL) if, amongst other things, he or she is in the business of providing financial product advice. Broadly, a person provides financial product advice where they provide a recommendation or opinion that is intended to **influence a person in making a decision about a particular financial product**, or could reasonably be regarded as being intended to have such an influence.

As the ASA **does not** have a financial services license or the resources to carry out valuations and other complex research, it is important that monitors remember not to make comments in voting intentions or to other shareholders or media at the AGM that are could be seen as financial advice.

Our voting intentions are simply a statement of how we intend to vote undirected proxies.

<i>DO'S</i>	<i>DON'TS</i>
<ul style="list-style-type: none">• DO provide information about the company's historical performance and investment decisions• DO comment on the company's remuneration policies and governance structure which are of interest to shareholders• DO direct shareholders to parts of disclosure documents or relevant findings of an independent expert	<ul style="list-style-type: none">• DON'T provide your personal view or expectation of the company's future performance – either in your voting intentions or to others at the AGM• DON'T comment on whether the company is a good or bad investment• DON'T make a buy/sell/hold recommendation, or any other recommendation on the suitability of a company's shares as an investment• DON'T do an extensive analysis on financial performance – instead look at any available analyst reports for guidance

There are two circumstances where the ASA may choose to abstain from formulating a voting intention on the basis that the decision is one of a commercial nature:

- Where the decision is one which will affect shareholders differently depending on their own financial circumstances. This is most frequently the case with takeovers, demergers and schemes of arrangement.
- Where the decision is one where the shareholder needs to form an opinion as to value. Again this is likely to be the case with regard to many takeovers and schemes of arrangement.

CONSIDER: Although we cannot provide commercial advice to members, we can point our members towards specific parts of the disclosure documents that we found interesting or particularly relevant for shareholders to make a decision, such as the opinion of an independent expert or adviser. Encourage shareholders to take their own circumstances into account and indicate how they wish to vote (ie by a directed proxy). The monitor should advise how the undirected ASA proxies will be voted.

6. Attending the pre-AGM meeting and AGM

Arranging a pre-AGM meeting

Engagement is by far the most effective form of shareholder activism. ASA monitors are generally able to access the Chair of the board of directors.

The primary purpose of the meeting is information gathering. Monitors should not feel under any pressure to make decisions about voting undirected proxies at the meeting, and should advise the voting will be finally determined within ASA.

You should:

- Approach the Company Secretary early in order to secure a meeting with the Chair – the earlier the meeting the better, as this will give you ample time to finalise your voting intentions two weeks prior to AGM
- Seek a meeting with the Chair, not the CEO or other management (although it is not unusual for executives, investor relations or the Company Secretary to attend). It is recommended you find another monitor to attend the pre-AGM (and AGM) with you
- Send the company in advance a copy of the topics you wish to discuss at the meeting – this will ensure that the attendees at the meeting are equipped with information to answer the questions in a productive manner.

Topics may include: business outstanding from last year (including business arising if there is new information concerning issues not fully resolved); current focus issues (including a statement about how that company stacked up for each issue); the company's performance (including matters measured in table in the VI, possibly including performance on measures not mentioned in the annual report); any governance issues not covered elsewhere; all resolutions for the AGM; any statements or topics in the annual report or notice of meeting which seemed to require clarification and housekeeping matters for AGM, such as voting by poll and timely showing of proxy information.

Preparing pre-AGM questions

Prepare your questions well ahead of the meeting during the initial review stage. In determining which questions to ask at a meeting, you should consider the following:

- Preparation is everything: prepare a script and questions beforehand
- Clarify the length of time the company has allocated to the meeting (usually 1 hour)
- Prioritise your questions and ask the most important first
- Consider re-asking questions at AGM if the answer is of interest to shareholders generally
- If you have received unsatisfactory answers to a question during pre-AGM contact with the company, ask the question again at the meeting
- Ensure your questions are shareholder related and not consumer related questions
- Where investigation will be required, advise the company of the question beforehand
- Make your questions simple, clear and concise. Avoid asking a question which is in fact a statement, observation or number of questions
- Where a Chair or other person answering your question does not have an answer, extract a commitment by them to investigate and provide an answer

Appendix 3 sets out a number of tips provided by monitors you might wish to consider before attending your first AGM.

Attending the AGM

Registering

Identify yourself as the ASA representative and the registry staff will give you a printout of the ASA proxies and a voting card (to use in the event of a poll). The printout identifies the numbers of proxies the ASA holds on each resolution, split into for/against/abstain and open. Keep this printout as you will need it to complete your AGM report. Ensure that you bring a copy of your **corporate proxy representative form** to give to the registry staff. This form is available in the [Monitor Resources section of the ASA website](#). Confirm with the registry staff whether voting will be by show of hands or poll, if you are unsure.

The AGM

The exact format of AGMs will vary from company to company, however it generally follows the same basic outline:

- Presentation by the Chair and CEO
- Receiving the financial reports. It is at this time that you are entitled to ask questions with regard to the financial statements, including any questions directed to the auditor
- Questions and voting on the resolutions

Voting at the AGM

A proxy appointment might be:

- Directed - the proxy directs how to vote on a resolution
- Undirected (or 'open') - the proxyholder can decide how to vote on the resolution

If the proxy has appointments that specify different ways to vote on the resolution (ie some in favour and some against), the proxy cannot vote on a show of hands. Whilst most of ASA's proxies are undirected, it is likely that you will hold votes specifying for and against. You should indicate that you cannot vote on a show of hands when asking a question/making a statement on the issue. For example, on the resolution to approve the remuneration report you might say:

“Mr/Ms Chair, the ASA holds proxies both for and against the resolution and therefore cannot vote on a show of hands, however if a poll was to be called, we would vote against this resolution because of complete absence of any genuinely long term incentive plan, which in our view results in a failure to align executive remuneration with the interests of shareholders.”

However, if a proxy is also a shareholder, you can cast any votes that you hold as a shareholder, so the monitor can vote on a show of hands for their own shareholding.

Voting proxies on a poll

Where the resolution is decided by a poll:

- Directed proxies (for/ against/ abstain) will be automatically counted
- The ASA representative will need to vote the undirected proxies in accordance with the voting intentions, using the voting card or handset provided

A poll is the only instance when you will need to use your voting card.

Calling a poll

There are instances where a poll is automatically required on an issue and there are instances where a Chair may decide to call a poll and where members may call for a poll. In the case of a special resolution that is one requiring 75% support, voting must be taken on a poll.

Section 250L of the Corporations Act 2001 states that at a meeting of a company's members, a poll may be demanded by:

- At least five members entitled to vote on the resolution (in most cases, the ASA will hold proxies for more than 5 members)
- Members with at least 5% of the votes that may be cast on the resolution on a poll
- The Chair

Note: A proxy may join in the demand for a poll (the proxy having the same rights as the shareholder in this respect as per s249Y(1)(c)).

CONSIDER: Monitors wishing to call a poll should raise this at the pre-AGM meeting and then remind the Company Secretary a few days before the AGM if it hasn't yet been confirmed. This is the preferred approach so as to avoid monitors having to call the poll on the floor at the meeting.

When and how polls must be taken - section 250M

A poll demanded on a matter other than the election of a Chair or the question of an adjournment must be taken when and in the manner the Chair directs. A poll on the election of a Chair or on the question of an adjournment must be taken immediately.

The poll may be demanded:

- Before a vote is taken
- Before the voting results on a show of hands are declared
- Immediately after the voting results on a show of hands are declared

When the meeting should be advised of the proxies

Section 250J states that the meeting should be informed of the proxies, prior to a vote on a show of hands. This however is a replaceable rule and accordingly can be displaced or modified by the company's constitution.

Regardless of whether the rule above is displaced, the company is required to notify the market operator of the proxies. As this is too late to call a poll, if you have concerns that a vote on a show of hands might not be supported by the proxies, but the proxies are not revealed (in accordance with the company's constitution), you should call for a poll on announcement of the resolution.

Interstate AGMs

Larger, retail shareholder-focussed companies will sometimes hold their AGM in a state other than the home-state. Given these companies have greater numbers of retail shareholders, ASA prioritises these meetings.

The protocol for interstate meetings is as follows:

- The original monitor retains all responsibility for the company monitoring process, except for actually attending the meeting and writing the report, including the liaison with the monitor who will attend the meeting.
- Once you are aware a meeting will be held interstate, ask your CMC Chair to contact the CMC Chair in the other State to arrange for a monitor to cover the meeting and if necessary, the pre-AGM meeting for you. The representative attending the meeting needs to be identified early.
- VIs should initially be constructed by the home monitor, but there should be consultation with the AGM location representative. The VIs should not be posted before interstate monitors have had an opportunity to review. The home monitor will provide the monitor in the other state with all the background information they require, including questions to be asked at the AGM and notes from any pre-AGM meeting
- The monitor who attends the AGM will write the AGM report and send to his/her CMC Chair as well as the original monitor for review
- The original monitor then emails the report to the Policy & Advocacy Manager in the usual way

Dealing with the media/press

Media releases

If the issues regarding the company you are monitoring might be of interest to the media, you should contact the National Office to discuss whether a media release is appropriate.

Media spokespeople

Monitors are permitted to speak to the media *on matters discussed at the AGM* but should refer broader questions of policy to their CMC Chair, the CEO or the National Office. See **Appendix 6** *Media and Public Statements Policy* for more detail.

Defamation

Defamation occurs where one person communicates, by words, photographs, video, illustrations or other means, material which has the effect or tendency of damaging the reputation of another.

Even a simple conversation with one other person could give rise to defamation. Accordingly monitors are required to be prudent in their communications. If you are uncertain about the effect of a comment you wish to make, you should refer it immediately to both your CMC Chair and the Policy & Advocacy Manager and refrain from communicating on the issue until you have been advised it is appropriate.

Even if an action for defamation is successfully defended, it is unlikely that all of the legal and ASA administrative costs will be recovered, and they may be considerable.

7. After the meeting

Writing AGM reports

You should bear in mind that most people reading the AGM report will not have attended the meeting. Accordingly the report should:

- Succinctly summarise the events at the AGM and be capable of being read as a standalone document
- Include interesting information that is useful to our members as investors, that they would not otherwise know unless they had attended the meeting
- Contain a brief summary of the historical information provided in the Chair's and other addresses if relevant
- Summarise any forward-looking statements made by the company during the meeting
- Provide a summary of any questions you or other shareholders asked and the answers received
- Summarise the voting on any resolutions, including any noteworthy protest votes and the likely reasons for the protest
- Detail any follow up questions, for instance, the Chair has advised he/she will provide further advice on
- Provide the details with regard to attendance, proxies etc required by the report template

A template AGM report and further guidance can be found at **Appendix 7**.

AGM reports should be written **within one week** of the meeting and are to be finalised in the same way as voting intentions, ie first forward your draft report to your CMC Chair for review. Once your CMC Chair has approved the report, email it to Policy & Advocacy Manager.

Contributions for *Equity* – AGM reports, Brickbats & Bouquets

There is **no strict limit** to the number of words for AGM reports for the ASA website. However, for the AGM report to be included in *Equity*, a word limit of **400 words** applies. The National Office will determine which reports are included and where time permits, provide the monitor with time to prepare a shortened version for *Equity* if necessary.

In addition, there may be something interesting and short (1 - 2 paragraphs) arising from the meeting which is appropriate for the Brickbats & Bouquets column in *Equity*. If so, please send these through to the National Office as soon as possible, as you might forget to do it later!

8. Shareholder remedies

The Corporations Act 2001 provides a number of shareholder remedies including requisitioning:

- A company meeting (EGM) - section 249D
- A resolution be put to company's next meeting (usually the AGM):
 - section 249N resolutions
 - section 203D removal of directors
- Circulation of a statement (with the next notice of meeting) - section 249P.

These forms of shareholder remedies are used by the ASA where:

- An issue is urgent - such as a significant failure in performance
- An issue is chronic and the company is intractable, such as failure to address problems with remuneration or overloaded directors.

Requisitioning a company meeting

It is very rare for the ASA to requisition a meeting, as the members calling the meeting must pay the expenses of calling and holding the meeting. The costs of holding a meeting are significant and accordingly the issue would need to be one which could not be dealt with in the ordinary course of the company meeting calendar.

Extremely significant failings in performance, risk management or governance issues would need to be present in order to requisition a meeting. For example, in 2001, the ASA requisitioned a meeting of HIH to remove Rodney Adler as a director. Adler's continued presence on the board was considered to be immediately harmful to the company.

Proposing a resolution

Most commonly, the ASA has proposed to move a resolution to remove a specific director. Seeking the removal of a director might be done for reasons of concern about the conduct of the particular director, or because he/ she is representative of a particular failing of the board.

Examples:

- In 2004 the ASA sought the removal of Geoff Tomlinson from the NAB board. NAB had suffered a series of failures of risk management. The board had been held responsible. A number of directors resigned. Mr Tomlinson was significantly overworked.
- In 2008 the ASA sought the removal of Paul Rizzo from the NAB board, as representative of the board's failings on risk. Mr Rizzo was the Chair of NAB's Risk Committee.

Section 249P statements

Section 249P statements are used to draw shareholders' attention to an issue and usually include a call for action such as voting against directors or the remuneration report. Other forms of action by the ASA, such as seeking removal of a director, or calling a meeting will be accompanied by a section 249P statement to explain the ASA's reasons.

For example, in 2004 the ASA requisitioned the circulation of a section 249P statement with the notice of meeting for the PaperlinX meeting. The statement noted failings of financial performance and called for shareholders to vote against incumbent directors seeking re-election at the meeting.

Process

The remedies above require the following:

- Support of 100 shareholders entitled to vote (proposing resolution only) or shareholders holding 5% of the votes to be cast on the resolution
- Section 249N resolutions must be requisitioned 2 months before the relevant company meeting

Monitors are the most likely people within the ASA to initiate the use of shareholder remedies. If you believe this type of action is warranted:

- Approach your CMC Chair to make a case
- The CMC Chair will then contact the National Office, which will seek input from the CMC Chairs nationally and approval from the ASA board
- The National Office in conjunction with the monitor and CMC Chair will draft all of the necessary documents and obtain the requisite shareholder support.

Keeping in mind the timetable and various steps, you will need to approach your CMC Chair at least three months prior to the relevant meeting.

9. Frequently asked questions

- a) A company I monitor is holding an EGM. Should I prepare voting intentions and attend the EGM? Do I need to arrange a meeting with the company?**

See also page 10 (Extraordinary general meeting (EGM)). Whether or not you decide to arrange a meeting with the company depends on the circumstances. If the transaction is reasonably complex and more information is required for you to determine how to vote, then a pre-EGM meeting might be beneficial.

- b) I disagree with an ASA voting guideline which is relevant to a resolution. Should I abstain from voting on the resolution?**

See pages 8 and 9. Remember that you are not voting on your own behalf, but are a conduit for the proxy votes of ASA members who expect ASA to vote on their behalf in accordance with the ASA voting guidelines. Consider raising the issue in the annual review of the guidelines.

- c) I contacted the company to arrange a pre-AGM meeting, however, only the Company Secretary is able to meet with me. What should I do?**

It is always better to meet with the Chair of the company, as he/she will likely be able to provide the most information about the questions you would generally ask. Failing that, the Chair of the remuneration committee will generally be able to answer questions relating to remuneration and governance issues. Where only the Company Secretary is available for a meeting, ensure that you send any questions to the company in advance as this will ensure that you are best positioned to receive answers to those questions at the pre-AGM meeting.

- d) My voting intentions have been uploaded to the ASA website, but I would like to make some changes to it. Can I make any changes?**

Once the document is on the ASA website, it can be amended for errors or significant changes. Be aware the Policy & Advocacy Manager emails a summary of upcoming meeting issues to ASA members and the media, so it is preferable it is accurate in the first instance. Contact the Policy & Advocacy Manager and with the changes you would like to see. Any significant changes should also be discussed and agreed with the CMC Chair first.

- e) My voting intentions were published on the ASA website with an *Undecided* vote for a resolution, but following a meeting with the company, I have decided to vote in favour or against the resolution?**

Once you have received your CMC Chair's approval to the change, email the Policy & Advocacy Manager the new/amended commentary for the resolution.

Appendix 1: Common AGM resolutions, questions to ask and examples

1. Election/re-election of directors

Directors appointed since the most recent AGM will need to seek election at an AGM. The ASX Listing Rules also require that each director of a company must stand for re-election at least every three years (or three AGMs, whichever is longer) and there must be an election of directors every year. Specific requirements in the company’s constitution (increasingly rare) or offshore regulations may also apply.

Considerations/questions to ask	ASA voting guideline
<ul style="list-style-type: none"> <i>Workload</i> – does the director sit on more than 5 boards (chairmanship counts as 2)? How is the directors’ attendance record at meetings? 	A6 on workload of NEDs
<ul style="list-style-type: none"> <i>Independence</i> – is the director classified as an independent director? If not, is there a majority of independent directors on the board? 	A9 on tenure limits (also refer to ASX Corporate Governance Principles for guidance on independence)
<ul style="list-style-type: none"> <i>Qualifications</i> – does the director have relevant background/ qualifications/experience? Does he/she add to the spread of skills on the board? 	A10 on relevant skills of directors
<ul style="list-style-type: none"> <i>Concerns with performance</i> – was the director the chairman or did he/she chair the audit committee during a period of poor decision-making/performance? 	A8 on poorly performing directors; chair/CEO performance
<ul style="list-style-type: none"> <i>Director shareholding</i> – if the director has been on the board for more than 3 years, does he/she hold shares worth more than at least one year’s fees? 	A14 on director equity holdings

Examples:

General considerations

Example from Abacus 2014 VIs (voted in favour)

Mr Malcolm Irving has been a director since 2002 and serves on the Audit & Risk and the Compliance Committees (Chairman for both) and on the Due Diligence Committee. He has over 40 years’ experience in company management including 12 years as Managing Director of CIBC Australia Ltd.

He is also a director of O’Connell Street Associates Pty Ltd, a director of Macquarie Hospital and Chairman of Macquarie Graduate School of Management. His workload is marginally above the ASA guideline of 5 directorships, but his attendance and participation in Abacus Property board meetings indicates that he is well able to fulfil his responsibilities to shareholders. As Mr Irving has served for

12 years as a director and is seeking a further term, under ASA guidelines, he is no longer considered an independent director.

Mr Irving has a substantial holding of Abacus Property shares. The ASA supports his re-election.

Voting against a non-independent director

Example from Crown 2014 VIs

Ms Rowena Danziger has been a director since 2007. She was formerly a director of Consolidated Media Holdings from 1997 to 2012. She has been a director of PBL/Crown for 17 years and while she is shown in the notice of meeting as “independent” this is a doubtful call. If she is not independent the board would have a majority of non-independent directors. Ms Danziger is seeking re-election for a further three years. The ASA believe she should stand down and allow a younger, genuinely independent director to be appointed.

Voting against a director on performance at the company

Note: Needs to be a lengthy tenure and easiest if involves the chairman

Example from BlueScope Steel 2014 VIs

Mr Kraehe has been a director for twelve years, most of that time as Chairman. During that time, there has been a reduction in share price from an average annual price of \$43 in 2007/8, and progressive reductions to what is really 40 cents value in the 2012/13 financial year. Those shareholders still holding shares may have been persuaded to hold their shares when told by Mr Kraehe at the 2009 AGM that 2009 had been a turnaround year. He has referred to turnarounds at other AGMs since based on the use of “underlying figures”. BlueScope have continued to present to shareholders “underlying figures” which have made it difficult for shareholders to assess the real financial state of the company.

Over the past few years, the chairman, Mr Kraehe, has failed to foreshadow many of the major difficulties likely to prevent the company becoming profitable but he has been very vocal the following year in providing these difficulties as excuses for not performing. There is no doubt that the steel industry in Australia has been through very tough times but BlueScope under his leadership has sustained massive losses including two successive one billion dollar losses. He could certainly have presented a clearer picture of company performance if he had refrained from excessive use of “underlying figures” which concealed the true state of the company’s finances. If he really believes in board renewal other than by replacing directors when they leave, he should not be standing at this election. He should stand down now.

Voting against a director on performance elsewhere

Note: needs to be a chairman or CEO who presided over a major disaster

Example from Macquarie Group 2013 VIs

ASA is opposing Michael Hawker’s re-election because his record as CEO of Insurance Australia Group (2001-2008) was marred by a disastrous foray into the UK market. All up, IAG shareholders have lost more than \$1.3 billion on its UK business, starting with a \$350 million write-down shortly after Mr Hawker resigned in 2007-08 and finishing with a \$240 million net loss from the UK division in 2012-13 after it was finally sold. After 6 years of hell in the UK for IAG, the 2013 Macquarie AGM does give Australian shareholders more generally a chance to reflect on one of those who was clearly responsible for the move.

2. Increase to non-executive director fee pool

Under the ASX Listing Rules, any increase to the aggregate fee pool of the non-executive directors of a company must be approved by shareholders. The current fee pool and fees paid to non-executive directors are generally disclosed in the remuneration report.

Considerations/questions to ask	ASA policy item
<ul style="list-style-type: none">• How does the proposed fee pool compare to similar sized companies?• Have the directors adequately explained why they are asking for a fee pool increase? (If not, ask this at the pre-AGM meeting)• What proportion of the current fee pool is being used?• When was the last time an increase by approved by shareholders?	A13 on NED remuneration

Examples:

Example from CSL 2014 VIs (voted in favour)

The proposal is to raise the non-executive director fee cap from US\$2.5 million to US\$3.0 million. In 2013-14, total board fees were under US\$2 million. The ASA notes that last increase was in 2010. The share price and market capitalisation has more than doubled in that time. After discussion with senior management, the ASA is convinced that such an increase is warranted in this rapidly growing global company. There needs to be provision for Board succession planning which might require and overlap of tenure. It is also possible that the increasing complexity of this global company might need further skill sets by way of increasing the Board numbers.

3. Adoption of remuneration report

At each year’s AGM, a company must put the remuneration report to a non-binding shareholder vote. In 2011, the Corporations Act was amended to introduce a ‘two strikes’ rule for the adoption of remuneration reports by listed companies. The ‘two-strikes’ rule gives shareholders the right to vote to spill a board of directors, if 25% or more votes cast are against adopting the company’s remuneration report at two successive AGMs. After two strikes, a company’s strike-count resets to zero. Voting on the remuneration report should be based on the previous financial year, not changes which are proposed for future periods.

Considerations/questions to ask	ASA policy item
<ul style="list-style-type: none"> Does the report describe and explain the remuneration arrangements so they are relatively easily understood by ASA monitors and shareholders? 	B19 on presentation of remuneration report
<ul style="list-style-type: none"> Does the report demonstrates satisfactory long-term alignment between the interests of shareholders as served through their company’s performance, and executive interests as served through their remuneration arrangements? 	B19 on long-term alignment
<ul style="list-style-type: none"> <i>Fixed annual remuneration (FAR)</i> – how does the CEO’s base pay/FAR compare with comparable companies? What proportion of the CEO/KMP’s target pay is at risk? Were incentives paid despite poor performance or did the board decide to forfeit awards? 	B20 on CEO pay
<ul style="list-style-type: none"> <i>STI plan</i> – what is the maximum STI opportunity as a percentage of FAR? Is it paid in cash or equity? Is there a deferred component? What are the performance hurdles? Are they clearly defined and measurable? 	B20-21 on STI payments
<ul style="list-style-type: none"> <i>LTI plan</i> – what is the maximum LTI opportunity as a percentage of FAR? How long is the performance period – is it truly long-term? Are hurdles realistic/challenging and aligned with shareholders’ interests? If relative TSR is one of the hurdles, can awards be made if TSR is negative? 	B22 on LTI performance periods; B23 on retesting; B24-B28 on other LTI metrics
<ul style="list-style-type: none"> How is the quantum of share grants calculated (market value vs. fair value)? 	B33 on calculation and valuation of share grants
<ul style="list-style-type: none"> What happens to awards when an executive resigns or in a change of control event? 	B32 on treatment of incentive schemes

Examples:

Example from National Australia Bank 2018 VIs (voted against)

The company has made a genuine effort to tackle the unfathomable nature of many variable reward systems employed by companies with the introduction of a “hybrid variable reward” that combines short and long term rewards to reinforce a focus on long term outcomes. The goal is to simplify the remuneration framework for senior executives and to provide a more robust framework for

quantifiable goals. It complies with ASA principles that variable reward should genuinely be at risk, have at least 4 year vesting for long term deferred shares, which are issued at face value. 40% of the variable reward is paid annually as cash. The system is BEAR compliant.

The potential achievable benefits under this reward system have been significantly reduced from the previous system (about 18% for the CEO for target total and 10% for maximum potential) and the actual outcomes and target for all quantifiable components will be declared in each remuneration report. The system was applied retrospectively for the 2017-18 financial year. Paradoxically, in an effort to explain the changes, the remuneration report has been more difficult to interpret this year, not assisted by the fact that one of the key metrics (Cash return on equity) is not compared over 5 years and another metric (Return on total allocated equity) is not included in the financial report at all. This is apparently an APRA required metric, which is a risk based review of return on equity but close to ROE. However it diminishes the transparency of the remuneration report.

The ASA endorses this framework in principle and appreciates that NAB reached out to engage us prior to implementing the system. The ASA has fed back to NAB some aspects that should be reviewed in the light of 2018 outcomes. The new system does not include TSR (Total Shareholder Return) as a measure and accordingly large tranches of positive outcomes were achieved even though TSR was negative in the year. Vesting from previous years will be lower due to the impact of that component under the previous system. NAB advises that APRA is not in favour of TSR as a measure because it works to encourage the behaviour that has been exposed by the Royal Commission.

Nevertheless, something seems fundamentally flawed when the CEO (and other KMP) can be significantly rewarded when there is a negative TSR. This concern was discussed when reviewing the proposal before implementation. The response was that chronically poor TSR will lead to the metrics being revised so rewards would be reduced. In other words, trust the Board to do the right thing and the ASA supported the scheme on that basis. The Board has made a decision (which they can do at their absolute discretion) to reduce the potential award in respect of the outcomes from the 2017-18 year, but the ASA questions if it is adequate.

The bottom line is that all remuneration systems have the potential to be seen as favouring the executives at the expense of shareholder value if the Board does not take leadership and override the mathematical formulas to send a clear and unambiguous message. It is not just about customer trust it is also about shareholder trust.

Accordingly the ASA is compelled to vote against the remuneration report. The key reasons for this decision can be distilled down to 2 fundamental concerns:

- The Board has accepted accountability but apparently does not accept that they should suffer any personal financial penalty. The ASA believes that both the CBA and ANZ Boards have set an appropriate precedent for leadership by recognising that the Board needs to demonstrate alignment with shareholders, whom they represent, to share the financial pain experienced by their shareholders. Accountability is more than acknowledging they got it wrong and will do better in the future. NAB argues that the Board has accepted the situation by not increasing their fees since 2016 and that director fees are lowest of the big four banks. The ASA view is that is that NAB Board fee regime is an appropriate adjustment to recognise that the bank is the smallest of the big four, and shrinking, and on a trajectory to get even smaller and less complex.
- Whilst we can accept that the CEO is entitled to vesting of his LTI's from his time as CEO of BNZ, we see it as inappropriate that he should receive the STI component that relates to 2015

Tranche 2 and 2016 Tranche 1. In fact it seems to us that executives have not received adequate financial censure for the activities revealed by the Royal Commission. For executives it is much more than shareholder alignment, there needs to be a more fundamental consequence for the activities that have been identified under their watch. In addition it seems questionable that the CEO should have received over 45% of his variable reward target for 2017-18, when the Board has the discretion to pay nothing in light of the findings of the Royal Commission.

Example from ANZ 2018 VIs (voted in favour)

The executive remuneration structure is mostly unchanged from last year although one-off reductions to amounts have been made due to the reputational damage from the Royal Commission and the CEO's long-term rights must be held for an extra year. One third is fixed and two thirds is a variable component which should be considered variable pay rather than a bonus.

Performance at target/expected level in all KPIs will result in half the variable component being paid.

Of the variable component, one third (25% in the case of the CEO) is paid immediately as cash, one third (25% in the case of the CEO) is paid as shares which vest progressively over four years, and one third (50% in the case of the CEO) is paid as performance rights which are tested against absolute and relative total shareholder return (TSR) and, if appropriate, vest after three years (in the case of the CEO he is restricted from trading these for a further year meaning he cannot obtain the benefit until four years have passed).

We applaud the general approach but believe the performance rights for all key management personnel (KMP), not just the CEO, should be at risk for four years (which we understand will be the case next year). We also like the shareholding policy which requires the CEO and all disclosed executives to, over a five-year period, accumulate ANZ shares to the value of 200% of their fixed remuneration and maintain this shareholding level while they remain an executive of ANZ.

We also acknowledge that the board has reduced 2018 board fees by 20%, reduced variable component of the CEO's rights by 33%, and reduced the size of the variable remuneration pool by 22% (\$124m) due to the reputational impact of the matters raised at the Royal Commission.

Last year's remuneration report made major improvements to the layout and understandability of the report, however this year it seems to have regressed somewhat. Some parts are very good and clear, but others are missing key information or explanations.

In conclusion, we believe that the level of remuneration is not excessive, the incentives are generally aligned with shareholders and, whilst the clarity and comprehensibility of the report itself has deteriorated, it is adequate. We intend to support this year's resolution in recognition of the reduced fees and incentives but would expect further improvements (eg a more comprehensible report and all KMP performance rights to be at risk for at least four year) next year before we would support it again.

4. Grant of incentive awards to Managing Director/CEO/CFO

This resolution is required to be put to shareholders if a director may be issued shares under an incentive plan, whether it be under the STI or LTI plan. Most of the disclosures are required under the ASX Listing Rules. A company may also seek to get this approval for three years under the ASX Listing Rules, although most companies seek annual approval, which ASA prefers. Often, monitors vote in the same way as voting on the remuneration report for the same reasons, however this is not always the case as individual circumstances will differ.

Considerations/questions to ask	ASA policy item
Generally same considerations as for the LTI plan under the remuneration report resolution, however, focus is on the MD or CFO's package, the LTI plan and any changes to the LTI plan in the next financial year applicable to the grant.	B20 on CEO pay; B22 on LTI performance periods; B23 on retesting; B24-28 on other LTI metrics
Is approval sought for 1 year or 3 years?	B34 on acquisition of shares by directors under an incentive scheme

Examples:

Example from Origin Energy's 2014 VIs (voted in favour)

Under ASX Listing Rule 10.14, shareholders are required to approve the issue of securities to directors under an employee incentive scheme. The company's non-executive directors receive fixed fees and are not eligible to participate in any incentive scheme, consequently Mr King and Ms Moses are the only Directors entitled to participate under the scheme.

These equity grants are subject to the same performance or restriction periods and vesting conditions referred to in Item 3 for executives.

Shareholders are asked to approve the grant to Mr King of DSRs to the value of \$700,000, being one third of his STI award for FY14, the number of DSRs calculated by dividing the total dollar amount of the award by a volume market average market price discounted for the value of dividends foregone (\$14.59) is 47,976. Shareholders are also asked to approve the grant to Mr King of options to the value of \$1.8 million and PSRs to the value of \$600,000, being his LTI opportunity for FY14, the number of options and PSRs calculated by dividing the dollar amount of the award by the respective fair value is 825,688 options and 73,710 PSRs. The fair value of options was \$2.18 and that of PSRs was \$8.14 and the option strike price was \$15.65.

Example from NAB's 2014 VIs (voted in favour)

Our support for this resolution is an acknowledgement for the effort to establish and link meaningful criteria to executive reward. The Bank continues to enhance award criteria that are consistent with the minimum guidelines required by the ASA. The effort to link executive benefits with shareholder outcomes is welcome.

The LTI component of the reward structure generally meets our policy criteria by continuing the changes made the previous year to have a vesting period of 4+ years. The provision for retesting is acceptable because a significant improvement in outcome would be necessary to trigger payment, requiring additional stretch.

We continue to agree to disagree with the formulae for derivation of a “fair value” to calculate the issue of the number of performance rights. The bank has a simple view that it is the potential value that is key and however rights are priced, it will result in the same outcome.

On balance we consider that the overall package is acceptable.

Supporting a CEO grant despite voting against the Remuneration Report

Example from Thorn 2014 VIs (voted in favour)

Very difficult. The potential amount of performance rights is very fair and reasonable. The idea of a gateway is a well-deserved concept and the criteria of ROE is a good one, the hurdle rate of 18.5% based on past on past performance is low but almost excusable in a changing business environment. TSR is always a good test, awarding 50% for just an average performance is overly generous - it should be a maximum of 30% for a 50% performance.

The timeframe of 3 years is too short, long term is 5 years maybe 4 at a minimum. But worse of all, the LTI used to be awarded over a proper time frame and now it has been reduced. The absolute folly of reducing the term of a long term incentive should be enough for a no vote, but if everyone followed this logical line of reason, Mr. Marshall would be left with no LTI and as he deserves to have one, so we will cast our open proxies in favour and hope the Board reassess this retrograde step next year.

5. Approval of termination/retirement benefits

Considerations/questions to ask	ASA policy item
<ul style="list-style-type: none"> • ASA supports the upholding of contractual arrangements. Where payments are linked to genuine remuneration or superannuation arrangements and vesting of entitlements in accordance with plan rules, tested at termination and then pro-rated for the period served, ASA could support the payments. • What board discretions are available to accelerate the vesting of awards? Have these discretions previously been exercised? • What is the company’s policy/position on notice periods? • How many people would the approval cover? Would seeking individual approval be onerous? Is there a sunset clause? • Sufficient disclosure will assist shareholders to identify the potential departing executives (or class of departing executives), the quantum of the proposed benefit, or if that amount cannot be ascertained at the time of the disclosure, details of how the benefit will be calculated. 	<p>B31 on termination payments</p>

The Corporations Act requires shareholder approval for the giving of leaving entitlements to individuals who hold a managerial or executive office on cessation of their employment where those entitlements exceed 12 months’ base salary. In many cases, shareholders are being asked to

prospectively approve (prior to any termination event) potential payments under pre-existing terms that would exceed the 12 months cap. Two key approaches have been adopted:

- Seeking prospective approval for the exclusion of LTI payments from the termination benefit calculation (these are generally rolled into the incentive scheme approval)
- Seeking prospective approval for potential payments exceeding the termination payment cap under the broader contract terms e.g. pay in lieu of notice, accelerated short-term incentive (STI) and LTI, retention and other payments

Example from Myer 2014 VIs (voted against)

Under Mr Brookes' contract of employment, if he terminates employment, he will forfeit a pro rata number of performance rights granted to him under the 3 year share plan. He will also forfeit a pro rata number of restricted shares to which he may be entitled under STI arrangements.

Approval of this resolution could lead to subjectivity being applied by directors to the reasons for any termination of employment.

Shareholders should have the right to vote on the termination benefits at a time when all the facts of the termination are known.

Example from Sims Metals 2014 VIs (voted against)

Approval is being sought to pay termination benefits to executives who hold a managerial or executive office. Five executives are named but the approval may extend to others who fit the description. The approval relates to termination benefits that may be provided under individual employment agreements or service contracts, the company's STI and LTI plans, medical, insurance, pension and superannuation plans and schemes, redundancy policies and certain other company practices. ASA does not generally support termination payments that exceed the 12 month fixed pay requirement in the Corporations Act. A detailed appendix is included in the explanatory notes but we are not told the extent to which it is expected that termination payouts will extend the 12 month figure.

Example from Amcor 2014 VIs (voted in favour)

Approval is sought for the payment of potential termination benefit to a relevant person, including as a result of the exercise of the Board's discretion under employment or service agreements, the Company's incentive plans, applicable law and Amcor's policies.

Shareholders are not being asked to approve any increase or changes in employment arrangements, remuneration, benefits or incentive plans. The Remuneration Report also notes that all members of key management personnel are employed under agreements which include 12 month notice periods.

In Amcor's view, the Corporations Act contains restricts the benefits given to certain employees on leaving their employment. Amcor is a global business in many jurisdictions and does not wish to disadvantage any individual who moves to a different role or jurisdiction within the Group. The directors believe it is prudent to seek shareholder approval, so that termination benefits can be provided without any risk of breach of the Act.

Example from Beach Energy 2014 VIs (voted in favour)

We recognise Reg Nelson joined the Board in 1992, in the midst of a major court battle, with potential to be counter-sued as a director, and he played a significant role in the successful prosecution of that case. The company has grown since then from a virtually insolvent position

(supported by the goodwill of Westpac) to its present position; although we also note that shareholders subscribed at least \$1.2 billion dollars. While mindful of Reg Nelson's long and meritorious service to the company, we were inclined to vote against this proposal as we completed our preparation for our meeting with the chairman of the board.

This proposal is not well explained in the explanatory notes for the notice of meeting. When we considered the proposal as written, we formulated searching questions with a view to voting against the proposal. After acknowledging poor drafting, the chairman provided explanation, which satisfied us and is summarised in the two paragraphs which follow. In each case, performance rights will not vest until their time horizon and satisfactory performance of the company. For each time horizon, the number of shares to vest according to performance will be discounted to allow for the time past since retirement; effectively 15% discount and 50% discount. Payment in cash was explained in terms of taxation implications of foreshadowed payment in shares. The chairman's explanation, which satisfied us, follows in the next two paragraphs.

Whilst the performance rights referred to in resolution 5 are addressed under the heading of a retirement benefit that is because of the structure of the Corporations Act. The board does not see these as payments linked to Mr Nelson's retirement as managing director. Performance rights under the company's long term incentive scheme are granted to incentivise and then reward performance if warranted. The board has been very keen to incentivise Mr Nelson to take a long term view in relation to the company's affairs even though his tenure was ending. To do so the board indicated to Mr Nelson that, subject to shareholder approval, where he has contributed to long term gain for shareholders that will be realised after his departure we are prepared to pro rata reward him for that gain. In relation to the 869,781 performance rights that would vest on 1 December 2015, Mr Nelson would have contributed for 85% of the relevant period to any gains made by shareholders. In relation to the 972,292 performance rights that would vest on 1 December 2016, Mr Nelson would have contributed for 50% of the relevant period. To incentivise him to take a long term view and build shareholder wealth on a long term basis the board considered it reasonable to indicate it would reward him according to his pro rata contribution should the testing criteria be met.

Shareholders have not been asked to allow the board to accelerate the vesting date of any entitlements that Mr Nelson may earn under his incentive arrangements with Beach although this option could be open to the board. The board's specific intention is set out on page 7 on the notice of meeting where it says that any incentives will still be tested at the time that they would have been tested, that is a time beyond Mr Nelson's retirement in 2015 and 2016 as described above.

6. Approval of employee incentive scheme

Companies may seek shareholder approval of an employee share plan or incentive scheme under exception 9 to ASX Listing Rule 7.2 so that the shares issued do not count within the 15% placement cap under ASX Listing Rule 7.1. ASA's position changed in 2015, to a preference that companies purchase shares to satisfy incentive grants on-market, rather than by issuing shares. However, if a company does issue shares, those shares should be included in the 15% limit and accordingly, approval should generally not be sought to exclude them.

Example from Sonic Healthcare 2014 VIs (voted in favour)

This resolution seeks to exclude any securities issued under the Employee Option Plan from the company's 15% placement capacity under ASX Listing Rule 7.1. ASA's new policy is for any shares

issued under employee incentive schemes (which would generally form only a very small part of the 15% limit) to be included in the 15% limit and we will be looking for the company to do this in the future.

7. Approval of specific share issues

Under Listing Rule 7.1, all listed entities have the ability to issue up to 15% of their issued capital in any 12 month period without needing to seek shareholder approval. Certain issues are exempted from the general rule and therefore do not count towards the 15% cap (such as shares issued pursuant to a pro-rata entitlement offer or qualifying employee incentive scheme). Companies sometimes seek to “refresh” their placement capacity by seeking shareholder approval for past share issues, often in connection with selective placements or the issue of shares under an employee incentive plan.

Considerations/questions to ask	ASA policy item
<ul style="list-style-type: none"> • Was the capital raising done in a manner consistent with ASA guidelines – in particular, were retail investors diluted as a result? • What are the company’s reasons for seeking shareholder approval? Is it known whether the company is close to reaching the 15% limit? 	<p>C39 on selective placements; C40 on share purchase plans; C41 on renounceable pro-rata entitlement offers</p>

Example from Arrium 2014 VIs (voted against)

On 15 September 2014, the company announced a fully underwritten capital raising of \$754 million by way of a pro-rata accelerated renounceable entitlement offer with retail entitlements trading (Entitlement Offer) to raise approximately \$656 million and a placement to institutional investors to raise a minimum of \$98 million.

On 26 September 2014, the Company issued 204,927,471 shares under the institutional placement at an issue price of \$0.48, which was approximately 14.99% of the issued capital of the Company before the Entitlement Offer. The company was not required to seek prior member approval as the placement was within the 15% limit prescribed by ASX Listing Rule 7.1.

The Entitlement Offer comprises an accelerated institutional entitlement offer and a retail entitlement offer that includes the ability for retail shareholders to trade their entitlements. Under the Entitlement Offer, eligible members were invited to subscribe for 1 fully paid ordinary share in the company for every one share held, at an issue price of \$0.48. In September and October, the company issued 1,366,183,142 shares, bringing the total number of shares on issue to 2,937,293,755. The company was not required to seek member approval for a pro-rata entitlement which satisfied the specified conditions for an exception under listing rule 7.

The net proceeds of the institutional placement and the Entitlement Offer will be used to repay debt, in line with the company’s stated priority of debt reduction. The raising will strengthen the company’s balance sheet and provide it with a more appropriate capital structure for the current environment.

This resolution has been proposed so that members may consider and, if thought fit, approve for all purposes, including the purpose of ASX Listing Rule 7.4, the issue by the company of 204,927,471 shares at an issue price of \$0.48 by way of the institutional placement.

The approval sought in this resolution, under ASX Listing Rule 7.4, is effectively a retrospective approval or 'ratification' to refresh the company's capacity to issue further securities pursuant to ASX Listing Rule 7.1 during the next twelve months up to the 15% limit.

Shareholders have already suffered a dilution as a result of the institutional placement two months ago, and should be very slow to give up legislated protections such as the 15% limit. The Arrium Board has shown little concern for retail shareholder interests and we see no logical reason to refresh the company's capacity to make further dilutive placements. We will vote against this resolution.

Example from Challenger 2014 VIs (undecided, voted in favour at AGM)

These resolutions seek approval for the August 2014 institutional placement of \$250 million in shares along with a September 2014, \$360 million issue of notes to institutional shareholders. A share purchase plan for up to \$30 million was also concluded in September 2014 but approval for this issue is not required under the ASX listing rules. These approvals are a necessary prerequisite if the company wishes to undertake further issues of shares during the next 12 months.

We generally oppose dilutive and selective placements that do not respect the property rights of all existing shareholders, especially when these are done at a discount and are without a follow-through share purchase plan for retail investors. In fact, our overwhelming preference is for a renounceable entitlement offer.

We were pleased to see that the recent placement was accompanied by a share purchase plan. The share purchase plan was oversubscribed, all of which was accepted without any scale-back. The company advised us that it had considered making an entitlement offer but the relative amount of extra capital required to total market cap would have necessitated a 1-for-13 offer which was considered too difficult to sell.

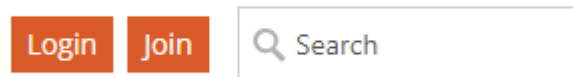
Despite our policy preferences, we concede that the combined institutional placement and SPP was the quickest and most expedient method of raising the required capital. Furthermore, it was a good outcome for the retail shareholders who got their SPP allocations at a 5.7% discount to the institutions. Based on our discussions, we believe that the board of this company is committed to ensuring that all shareholders get equal treatment in future capital raisings. We are likely to support the resolution but will await the Chairman's comments on the matter at the meeting before finally deciding.

Appendix 2: From creation to publishing reports on website

Accessing the voting intention and AGM report templates

Visit ASA website (www.australianshareholders.com.au)

Login (top right-hand corner: orange button). Your username is your email address. Click “Request new password” if you do not know your password.



Once you are logged in, click on “My Account” (top right-hand corner: orange button)



My Company Monitoring should be the open tab – if not contact Policy & Advocacy Manager and check you have been added to the Company Monitor Group. Click on “Monitor Resources” and then on relevant template, either Voting Intentions or AGM Report to download the required template in word or equivalent. The document will appear at the bottom left hand side of your screen. Save the template to a location on your computer which is familiar to you e.g. My Documents

Approval and publishing of reports

Compose report in template, saving it with a file name including the company and year. Send draft to and agree with CMC Chair (or team leader if the role exists in your state).

Once the report has been agreed, email a copy in word or equivalent to fiona.balzer@asa.asn.au and your CMC Chair. The email subject line should read “Company Name (ASX code) 2019 Voting Intentions (or AGM Report) final for website” indicating the CMC Chair has agreed to the content.

Your report will be reviewed and formatted in the National Office, and then a PDF will be uploaded to the website. You will receive a confirmation email when this has been completed.

IF SIGNIFICANT ADDITIONS OR AMENDMENTS ARE SOUGHT, YOU WILL BE CONTACTED.

Contact National Office if you need to make changes once document has been uploaded.

Appendix 3: Tips for effective AGM questioning

Below are some tried and true tips for asking questions at AGMs:

- Arrive at the meeting up to 30 minutes prior to commencement and make sure you have access to the voting intentions, annual report, notice of meeting and the ASA voting guidelines. A share price graph and the previous year's voting results can also be useful.
- If possible, read the formal addresses (either print-outs or via ASX website) before they are delivered
- Sit near a central microphone and try and ask your general business questions first
- Have 3-6 questions or topics ready to go, but be flexible enough to respond to AGM developments
- Save some questions for specific items of business later in the meeting, after the accounts
- If you've had a pre-AGM meeting with the Chair, don't ambush the Chair with new hostile topics or criticism unless absolutely necessary
- When called upon to ask your question, greet the Chair and commence your address with "My name is....., I am a shareholder and /or proxy holder and represent the Australian Shareholders Association. We hold X number of proxy votes from shareholders....."
- Avoid making long statements and try to ask one concise question at a time
- Work within any time or question limit imposed by the Chair with each visit to the microphone, but remember you can return a second time on the accounts and with every subsequent resolution.
- Where a Chair is evasive or provides inadequate answers, press your point by pointing out why the answer is inadequate and then politely re-ask a specific element of the question.
- If you anticipate that the Chair will give an evasive or obtuse answer have a supplementary question ready to ask.
- Always direct questions through the Chair but don't be afraid to request the CEO, CFO, external auditor, lead independent director or committee Chair provide an answer
- Where the Chair has partially dealt with your issues during the opening address, you may need to tailor your question to elicit only the additional information
- Don't get into an argument with the person you are questioning. If the answer is clearly inadequate, your point is made
- If the Chair attempts to curtail AGM debate or your question(s) specifically, you can call for a show of hands to allow debate to continue. Be sensitive to the mood of the meeting.

Some of the question you might want to ask could be:

- What accounted for the poor performance and what measures are in place to correct the situation?
- Why did it happen?
- When did it specifically happen?
- How could it ever have happened?
- What was the company's rate of return on equity for the year 2XXX? How far short of the target did it fall?
- What is the target for next year?

Final speaking hints:

- Be sure of your facts by having documents (ie newspaper cuttings, share price graphs) with you.
- Give credit where its due, such as with improvements to the remuneration report
- Be polite, don't argue and listen intently
- Don't jump to conclusions

Make sure you are well dressed for the meeting, dressed in business attire or business casual.

Appendix 4: Monitoring Review Panel guidelines

The Monitoring Review Panel was introduced in 2014 to review selected voting intentions with the objective of ensuring greater consistency in voting both across and within states. The ASA Board has determined that the Panel will continue to operate, with the introduction of a quality assurance exercise outside the time pressures of AGM season.

The three Panel members are as follows:

- John Campbell: former WA CMC chairman
- Michael Perry: former ASA deputy chairman and former NSW CMC chairman
- Dennis Shore: former director and former Vic. CMC Chair

The process will work as follows:

A referral to the Panel should be made before the VI is published on the ASA website. Only the following can refer a VI to the Panel:-

1. The monitor for the company in question
2. The monitor's CMC chair
3. Policy & Advocacy Manager
4. The host state CMC chair or the ASA representative at an interstate AGM, having seen the VI before it is published
5. The CEO when the CEO believes the current guidelines are not being followed.

The ASA Board has a collective responsibility for reputation and should consult with the CEO should there be concern about a voting intention process. When a board member believes a VI is being developed contrary to the guidelines and wishes to refer a matter to the Panel, prior to doing so the board member is to discuss the issue with the CEO and prepare a submission as to the reason why the draft VI is not appropriate. With CEO agreement, the Policy & Advocacy Manager will circulate and discuss this with the relevant CMC Chair and monitor and inform them of the director's concerns. The CMC Chair and monitor may consult with other CMC Chairs or may refer the director's concerns to the Panel.

The Policy & Advocacy Manager will inform the CEO of all requests, the progress and outcomes of all referrals.

The Policy & Advocacy Manager will assign the review task to the first panellist who is available and is not from the same State as the company in question. The Policy & Advocacy Manager can also choose to send it immediately to a full panel which is a minimum of 3 panellists. The Policy & Advocacy Manager will brief the panellist and provide him or her with relevant reference materials and agree on a timeline for the review encouraging completion within 24-48 hours. The Policy & Advocacy Manager will notify the company monitor, relevant CMC Chair, or director, of the panellist and expected timing of the review and furnish them with an opportunity to provide further information which may be useful to the panellist's review. The single panellist can choose to engage a full panel or consult with other panellists and/or the company monitor and CMC Chair before making a decision.

If both the company monitor and the CMC Chair wish to review the decision of the panellist, the Policy & Advocacy Manager can refer it to a full panel, including any home state panellist. The Policy & Advocacy Manager also has authority to refer a single panellist's decision to the full panel.

The Policy & Advocacy Manager will notify the company monitor and CMC Chair, or director, of any updates on the review process and the outcome of the review and in the latter case will do so before the VI report is published on the ASA website unless there have been no significant changes to the VI.

REPORTING ON PANEL DECISIONS

Following each review, the panellist will prepare a short note on the reasons for his decision. This will be provided to the Policy & Advocacy Manager, the company monitor and CMC Chair, or director.

The company monitor and CMC Chair, or director, can provide feedback on the review process and outcome of the review, but should have regard to reasons of the panellist and the final outcomes at the AGM when doing so.

The Policy & Advocacy Manager will maintain a record of decisions made by the panel (including any changes in the VIs) and the feedback received from company monitors, CMC Chairs or referring directors. She will circulate a report to all CMC Chairs, the CEO and the Chair of the Policy Committee of the ASA.

QUALITY ASSURANCE

At the end of each AGM season, the Policy & Advocacy Manager will select AGM voting resolutions to be reviewed by the full panel of the Monitoring Review Panel. Selections may be from where the ASA vote is at significant odds with the AGM voting result, there is an added complexity or development in the resolution or questions have been raised about the consistency of the vote with the ASA guidelines.

The purpose of review is to enhance alignment across the company monitoring teams and for use in company monitoring training. The review will take place early in the year. There will be a close liaison between the Policy & Advocacy Manager, the Company Monitoring Committee Chairs and the Panel.

Updated 28 March 2019

Appendix 5: Proxy collection guidelines

Role of proxy collectors

The ASA seeks to be represented at all meetings where it has been appointed proxy, however there are times where a company monitor is not available to attend a meeting. The role of a proxy collector is to attend company meetings on behalf of the ASA and collect and, where appropriate, vote ASA's proxies.

Guidelines for proxy collection

1. Prior to attending the AGM, ensure that you have a copy of the 'Appointment of Corporate Proxy Representative' form. Your CMC Chair will be able to provide you with a copy. The form is pre-signed, but you will need to insert your name and details of the AGM.
2. **Attending the AGM** – the first step is to go to the registration desk with your completed 'Appointment of Corporate Proxy Representative' form. The registration staff will then give you a proxy advice slip with details of ASA's proxy position. Ensure that you retain this proxy advice slip.
3. **Voting on resolutions** – the Chair will announce whether voting will be by show of hands or on a poll.
 - a. Voting by show of hands – if some of the proxy votes for a resolution are FOR and some AGAINST, you will not be able to vote. This is because there is a mix of instructions and, unlike a poll where you only vote the open proxies, on a show of hands you vote all the proxies.
 - b. Voting on a poll – you will be able fill in the voting card and vote ASA proxies. The FOR and AGAINST will stand as they are and you will be voting the OPEN proxies.
4. **Voting undirected ASA proxies** – the key challenge for the proxy collector is to decide how the ASA will vote undirected proxies at the meeting, as in most cases the proxy collector will have limited background information on the company and the resolutions to be put to the meeting. Where possible, apply the ASA Voting Guidelines. Where that is not possible,
 - a. On a poll, cast undirected votes in accordance with the majority of votes. If the majority of what you have are FOR then vote the OPEN as FOR. If the majority are AGAINST then vote the OPEN as AGAINST.
 - b. Also consider proxy votes which have already been lodged with the company. The proxy position will usually be displayed on the screen or announced during the meeting.
 - c. If there is likely to be more than 25% voting against a resolution, join in the protest vote and vote AGAINST the resolution.
5. **Asking Questions**
 - a. If you have read the Annual Report and found some matter of concern, or something which is against the ASA guidelines, then feel free to raise it at the appropriate time. For example, the following are useful questions at AGMs, don't require close analysis and are current focus issues of the ASA:
 - If the company had conducted a capital raising during the Financial Year and you are unsure if retail shareholders were treated equally with Institutional ones, you can ask "*in your recent equity raising may I ask if you feel that we retail shareholders were treated equally to the large Institutional investors?*"
 - If, when asked to vote on the election or re-election of a Director, it is unclear whether the Director will address the meeting and sing for their

supper, stand up and ask the Chair if he/she intends to speak to their appointment.

- If the gender balance on the Board is well less than 30% female (or much less likely, less than 30% male), you can ask why.

b. To ensure the ASA's presence is seen, it is useful to preface your first question as follows:

"Good morning, my name is and I am a volunteer for the Australian Shareholders' Association. Today I hold proxies from shareholders for approximately shares. Mr/Ms Chair, my question/comment is.....".

6. **After the AGM** – send through or email a scan of the proxy advice slip obtained at the meeting to your CMC Chair. If you have any comments about the meeting, please also send these through so that the ASA can keep a record of your comments.

CMC Chairs are available to provide assistance and support to proxy collectors, as is the Policy & Advocacy Manager, Fiona Balzer (fiona.balzer@asa.asn.au) and the team at the ASA National Office.

Appendix 6: Media and Public Statements Policy

Approved by the Board 5 June 2017¹

1. Objective

To ensure that ASA is perceived as one of the most important media sources for the dissemination of corporate governance views and information affecting the interests of retail shareholders, while at the same time responding accurately and in a timely manner to all media requests, where we have the expertise.

2. Policy

The way that the Australian Shareholders' Association (ASA) communicates externally, particularly through the media, has a direct bearing on the reputation of the ASA and the way in which our association and members are perceived by important stakeholders, including governments, the regulators, potential members and the business community.

In keeping with ASA's reputation and mission, ASA proactively identifies and pursues opportunities for profile-building media coverage. This is intended to support our advocacy program, which in turn enhances the standing of our association, and also heightens awareness of ASA as a resource for education and information on retail shareholder rights and issues as well as investing perspectives.

ASA also aspires to respond to all enquiries from the media in a professional manner with information that is accurate, timely and consistent with our 'standing up for shareholders' mission. Our active involvement with the news media requires candour, knowledge, and, of course, common sense.

All public statements must be consistent with established or generally accepted ASA policy and practice, or, positions which have been agreed for specific issues by those with the relevant delegated responsibility.

There are a number of channels through which ASA directs its public comments. To ensure that public statements are accurate, relevant to our target audiences and in keeping with ASA's mission, all statements and information provided to the media, including the publication of articles, must only be delivered by authorised spokespersons.

While the CEO has day-to-day operational responsibility for ASA's public statements, the Chairman and Board are ultimately responsible for all public statements and all persons involved in implementation of this policy must be cognisant of this ultimate responsibility.

This document:

- defines who has the authority to speak to the media or make public statements on behalf of ASA
- provides guidelines on the scope of the topics on which ASA will offer comment, including reaffirming our commitment to enhance the standing of retail shareholders by encouraging

¹ Amended and approved by the Board May 2018.
Amended and approved by the Board December 2017

comment on governance issues in listed entities from the retail shareholder perspective as they arise

- outlines the process for ensuring all media relations activities are in the best interests of retail shareholders, ASA members and the association generally, and
- provides practical guidelines on how ASA engages with the media and makes public statements through various spokespersons.

3. Channels through which ASA directs its public comments

There are a number of channels through which ASA directs its public comments, including:

- Voting Intentions reports on the ASA website
- comments at public company AGMs and in corporate website archives of these statements
- articles in *Equity*, the ASA website and newsletters and articles in other organisation's publications, websites and newsletters
- prepared/proactive media releases to journalists
- responding to journalists' queries on issues of the day
- impromptu comments to journalists at AGMs
- one-on-one phone interviews with journalists
- proactive social media, including Twitter, Facebook and LinkedIn
- the ASA website
- pre-recorded TV and radio interviews which provide 'grabs' for news packages
- face-to-face live interviews on TV
- one-on-one radio interviews with radio presenters
- presentations or panel discussions at conferences
- appearances before parliamentary inquiries
- submissions to external bodies
- engagement with local or regional media on ASA events
- statements at the ASA national conference and monthly investor hour forums • statements at suburban or regional forums.

4. Who can authorise media and public comments and speak for ASA

Individual companies

- The major generator of material for the media on individual companies is usually the company monitor who author the published Voting Intentions reports, speak publicly at the AGM and write the AGM reports which is published on the ASA website and sometimes in *Equity*. Media often quote from these materials without directly engaging with the monitor or staff and this is to be encouraged. Media also may engage directly with the monitor, particularly at an AGM. When this happens, the monitor is authorised to speak but should do so in a manner which is consistent with ASA policy and the published Voting Intentions and should inform the CMC-chair and Policy & Advocacy Manager of the nature of the inquiry and any additional 'on the record' comments which were made.

- For media inquiries about monitored companies outside the AGM cycle, journalists are encouraged to contact the national office, preferably the CEO or Policy & Advocacy Manager. Members of the Board policy committee with media experience and profile may also be directly contacted and contribute to proactive media initiatives. Whether it is reactive or proactive media engagement, when the media enquiry relates to an individual company monitored by ASA, the CEO, Policy & Advocacy Manager or member of the Board policy committee will seek to consult in the following order:
 - the monitor
 - the CMC-C, and
 - if neither are available, the CEO or Policy & Advocacy Manager will seek to contact a director with knowledge of the company.

The monitor may choose not to be the spokesperson but request that the CMC-C or CEO or Policy & Advocacy Manager deal with the media inquiry and provide the relevant information for them to do so. Monitors, CMC chairs, staff and Board policy committee members who have developed relationships with individual journalists are encouraged to nurture these to maximise ASA's media reach.

- Notwithstanding other provisions in this policy, if the company is monitored, the CEO is authorised to speak on significant corporate governance matters, in consultation with the monitor and/or the CMC Chair.
- When a volunteer (other than a monitor at an AGM) is chosen to represent ASA in the media, the CEO or Policy & Advocacy Manager should provide a clear brief on the issues at hand and the best messaging to be pursued in any engagement with individual journalists. Staff should consult with topic experts within ASA — including monitors and directors — when formulating this advice.

General enquiries

- If the media enquiry is of a general nature, the CEO will deal with the enquiry. If the CEO is not available, the Policy & Advocacy Manager can deal with the enquiry. The CEO may also delegate the Policy & Advocacy Manager to deal with the enquiry.
- If the CEO or Policy & Advocacy Manager requires further input or forms the view that there is a spokesperson with more knowledge of the topic, the CEO or Policy & Advocacy Manager will seek the input from or refer the enquiry to:
 - a member of the Board policy committee
 - the CMC-C
 - the Chairman or ○ a member known to have the knowledge.
- Where the CEO or Policy & Advocacy Manager refers the matter to a member of the Board policy committee, CMC-C, Chairman or other member known to have knowledge, should any of these parties require it, the CEO or Policy & Advocacy Manager should provide a clear background brief, and other relevant press or documents and assist with additional facts as required in order for the spokesperson to be able to provide insightful comment and to address competently any subsequent questions that may arise from journalists.
- If a monitor, the CMC-C or ASA's policy committee have formulated a policy position on a particular issue, all media commentary and public statements should be consistent with that position, provided the policy position is also consistent with ASA's published Voting Guidelines, Focus Issues, submissions and Voting Intentions or record at AGMs.

- The CEO is authorised to provide comment on general issues as they arise even if neither the Board policy committee members nor the Chairman are available to consult. However, if this discretion is exercised the CEO will promptly inform other relevant parties of the action taken, normally by way of email to the Board policy committee and/or the Chairman if it is a particularly controversial issue or position.

Local media

- If an ASA member or monitor provides comment to local media (that is, media outside capital cities) upon request or to promote ASA monthly meetings, the member or monitor should inform the CEO to assist ASA to keep track of media mentions.
- All commentary provided to local media needs to be consistent with ASA's policy position, Voting Guidelines and Focus Issues.
- The information that may be provided to local media by ASA members or monitors includes Voting Intentions, Voting Guidelines, Focus Issues, advice on monthly meetings or ASA's mission in general in a bid to attract new members or media releases from national office, but does not extend to self-generated media releases or opinion pieces. Any requests for media releases or opinion pieces from local media are to be referred to the CEO and managed by the CEO.

Social media

- Directors and ASA staff will post comments to Twitter, Facebook and LinkedIn. The comments must be consistent with ASA's Voting Intentions, Voting Guidelines and Focus Issues, not personal views. Such comments must be factually correct.
- Twitter posts cannot be pre-vetted, particularly when responding to the news of the days. However, Twitter comments critical of individual companies should not occur unless the monitor is generally comfortable with the approach. Monitors are encouraged to send suggested tweets to the CEO, Policy & Advocacy Manager or anyone else authorised to manage the Twitter account.
- Where concerns are raised by monitors, staff or directors about individual tweets, they should be promptly deleted. The CEO has ultimate authority on ASA tweets and determines who has password access to the account.

5. Proactive comment guidelines

When ASA provides comment on topical issues as they arise, the following guidelines will assist in assessing how the comment will be framed.

- ASA may comment on individuals and individual companies, subject to the comment being in line with ASA's Advocacy Strategy, Voting Guidelines and Focus Issues.
- ASA's comments will be on a principles-based basis. ASA may comment on general principles of governance as they arise. For example:
 - An issue such as the global financial crisis allowed ASA to speak of the importance of directors putting in place fair and equitable capital raisings.
 - If a company is in litigation with an individual or other party, ASA may comment on the risks to shareholders' funds should such litigation be seen as protecting directors or management from scrutiny of their decision-making rather than to protect the best interests of the company. However, ASA will not comment on the merits of the case.

- From time to time, ASA will comment on government policy, decisions or activities that we consider are of interest or concern to our members and retail shareholders more generally. Appropriate research will be conducted to inform our position and ensure it is credible.
- The CEO or Policy & Advocacy Manager if the CEO is not available will deal with queries relating to government or regulatory policy, decisions or activities that we consider are of interest or concern to our members. Should the CEO or Policy & Advocacy Manager refer such queries to the Chairman, a director or a member of the Board policy committee, the CEO or Policy & Advocacy Manager will provide a clear background brief, should one be required, in order for the spokesperson to be able to provide insightful comment and to address competently any subsequent questions that may arise from journalists.
- If comments by a monitor, CMC-C, the CEO, staff or directors are later found not to reflect ASA policy or be in the best interests of the ASA, the Board policy committee, and ultimately the full Board if necessary, can exercise judgment to intervene and rectify the situation as necessary. Any corrective statement in this situation would normally be issued by the CEO or Chairman at the direction of the Board.
- If an anonymous comment is made purporting to be on behalf of ASA that is found not to reflect ASA policy, the Board will consider whether to issue a statement rejecting the statement, noting that ASA has a media policy authorising particular persons to be spokespeople for the organisation, and that an anonymous source is clearly not an authorised spokesperson.
- Where ASA is concerned by any public commentary, including issues such as a failure to attribute comments to ASA or recognise an ASA event (for example, the national conference), the CEO is responsible for engaging with the journalists concerned to try and rectify the situation.
- If the media misquotes ASA, the CEO in consultation with members of the policy committee or Chairman may issue a release clarifying ASA's policies and positions. The CEO will ensure the release is sent to all media outlets and may seek to have a clarification and apology published in the offending media.

6. Issuing of media releases

- Ideas for media releases, including drafting proposed messages, can come from monitors, CMC-chairs, directors, staff and even individual members where they have particular expertise, but the CEO is ultimately responsible for the decision to proceed.
- ASA staff is responsible for finalising and distributing media releases and posting them to the ASA website. The CEO should ensure staff consult with the Board policy committee, relevant monitor or the CMC-C chair where it is related to monitoring matters. The Chairman should be consulted when it relates to broad ASA matters (for example, staff and board changes, the ASA AGM) or any issue regarded as highly controversial or a material risk to ASA operations and reputation.
- All media releases are to be placed on the approved ASA media release template, numbered sequentially per year and cleared in advance of release.
- The CEO has responsibility to ensure that all media releases are posted to the website once they have been distributed to the media, and distributed internally to ASA staff, Board members and relevant monitors.
- Where relevant, links to the media release on the website should be included in any newsletters and promoted on social media platforms.

Appendix 7: Monitoring templates

[Monitor introduction to Chair, Voting intentions, AGM report, Capital raisings](#)

[See next pages]



Date

Name

Chairman

Company

Dear ,

ASA Company Monitoring 2019

The Australian Shareholders' Association (ASA) is Australia's only independent retail shareholder body, representing members who trust us with their proxy votes at AGMs. The ASA determines its voting intentions in accordance with ASA's voting guidelines (available on our website).

I am writing to advise that ASA will be monitoring your company in 2019. We have increased the focus on board composition and director skills. This emphasis follows the evidence of misconduct and a lack of urgency in some companies in addressing misconduct as revealed in the hearings of the Royal Commission into Misconduct in the Banking, Superannuation and Financial Services Industry.

Our focus issues for 2019 are as follows:

Board composition/director skills:

- At election or re-election of a director, the notice of meeting should include the detailed skills the director brings to the board of the company at that time, and how those skills meet the requirements of the board in the coming years. The company should include a statement of director skills in the annual report and on the company website that demonstrates the suitability of directors for the role.
- Companies should have an independent chairman, a majority of independent directors and only one executive director.
- Boards should be comprised of at least 30% female directors and at least 30% male directors.

Remuneration disclosure: Long-term incentive schemes should require behaviour that is measured cumulatively or on average over a number of years, preferably four or five:

- ASA will only support a remuneration scheme where there are long-term hurdles
- Market value should be used to calculate LTI grants, not fair value.
- A table of actual CEO and KMP take-home remuneration should be provided in the remuneration report.

Skin in the game: Enhance board and executive alignment with shareholders via shareholding requirements:

- A non-executive director who has served three years on a board should have invested one year's fees in the company's shares.
- A CEO should own ordinary shares worth at least one year's fixed remuneration in the company's shares after five years in the role.

Shareholder participation: Companies should maximise shareholder information and engagement through data releases of the number of shareholders:

- voting on AGM resolutions, including a break-down of for and against, as in a scheme of arrangement vote.
- participating in capital raisings including trading renounceable rights, and dividend reinvestment plans.

I would appreciate the opportunity to meet with you after the release of the half-year results, as well as after the release of annual report/notice of meeting and a minimum of three weeks prior to the AGM. This is to ensure we have sufficient time to prepare our voting intentions. Please advise the date/location of this year's AGM and also publish this information on your website as soon it is known.

While we encourage the company to release the full annual report (or at least the directors' report) at the same time as releasing the full year results, we would still like to receive a hard copy of the annual report and notice of meeting by express post.

I would also appreciate if I (and my associate monitor) can be added to the mailing list to receive ASX announcements and be invited to analyst briefings. My (our) contact details are set out below.

Yours sincerely,

<upload your signature image or sign here>

Monitor name

Address line 1

Address line 2

Ph: (0X) XXXX XXXX

Email: your email address



Insert snappy heading here - DRAFT

Company/ASX Code	e.g. Rio Tinto/RIO
AGM date	e.g. Tuesday 15 October 2018
Time and location	e.g. 10am Hilton Hotel George Street Sydney
Registry	e.g. Computershare
Webcast	Yes / No
Poll or show of hands	e.g. Poll on all items
Monitor	Joe Bloggs assisted by Jane Brown
Pre AGM Meeting?	Yes with Chair Rupert Murdoch

Please note any potential conflict as follows: The individual(s) (or their associates) involved in the preparation of this voting intention [has/have] [a/no] shareholding in this company.

Item 1	Consideration of accounts and reports
ASA Vote	No vote required

Summary of ASA Position

Overwrite text here and under headings below, **delete sentences in red.**

Instruction box – to be deleted:

Include a description of company’s performance and key events, under the following **headings** (as relevant). Aim for about 400 words of description that provides an insight into the company gleaned from the pre-AGM and other meetings. These should provide information about the company not available from reading the Annual Report.

Governance and culture

Financial performance including dividends and shareholder returns

Key events such as restructures, acquisitions, buy backs and capital raisings

Key Board or senior management changes

ASA focus issue (not discussed under remuneration report or re-election of directors)– ie shareholder participation (if relevant)

Summary (complete this table)

(As at FYE)	2019	2018	2017	2016	2015
NPAT (\$m)					
UPAT (\$m)					
Share price (\$)					
Dividend (cents)					
TSR (%)					
EPS (cents)					
CEO total remuneration, actual (\$m)					

For [insert year], the CEO’s total actual remuneration was [insert] times the Australian Full time Adult Average Weekly Total Earnings (based on November 2018 data from the Australian Bureau of Statistics).

Note - For November 2018, the Full-time adult average weekly total earnings (annualised) was \$86,642 (<http://www.abs.gov.au/ausstats/abs@.nsf/mf/6302.0>, “Full-time adult average weekly total earnings”, Trend(a)). **This template will be updated with May 2019 data which will be available in August 2019 (for use with 30 June companies).**

Item 2	Re-election of <insert director name> as a Director
ASA Vote	For / Against / Undecided

Summary of ASA Position

Overwrite text here.

Instruction box – to be deleted:

Include year of appointment, professional background and other directorships. Note any issues around independence or if they chair any committees.

If an independent director has already served more than 9 years, note that this may be their final term as after 12 years, ASA will no longer classify directors as independent. Consider **Focus Issue (Board Composition)** whether there is sufficient information about skills of director and appropriateness for position. Also consider if there is a majority of independent directors, gender diversity targets and the number of executive directors on the board.

Also consider **Focus Issue** whether the director has sufficient **skin in the game** or whether there are any workload or performance-related concerns.

There is no need to copy all of the director’s background details from the Notice of Meeting as readers will already have that document.

Item 3	Adoption of Remuneration Report
ASA Vote	For / Against

Summary of ASA Position

Fill in table below reflecting the remuneration structure using statutory figures (use NA if figure is not available and add a comment eg Macquarie Group's variable remuneration is a profit share so there is no target or maximum amount). Contact CMC Chair or Policy & Advocacy Manager for assistance.

	Target \$m	% of Total	Max. Opportunity \$m	% of Total
Fixed Remuneration	2.209	29%	2.209	17%
STI - Cash	1.360	18%	2.040	16%
STI - Equity	1.360	18%	2.040	16%
LTI	2.788	36%	6.800	52%
Total	7.717	100.0%	13.089	100%

Overwrite text here and see instruction box below.

Instruction box – to be deleted:

Firstly, quickly review the remuneration report and note **Focus Issues** if actual remuneration is disclosed, fair value or face value is used to calculate number of performance rights, is LTI or combined incentive longer term or is only hurdle staying in the job, does CEO have skin in the game? Also note FR/STI/LTI breakdown, term for the short term incentive, if there is an equity component and if the equity is deferred. If you do this online, search for “actual remuneration” or “non-statutory remuneration”, “fair value”, “face value” or “VWAP”, fixed remuneration, STI and LTI.

Read ASA’s voting intentions from last year and note any recent protests on pay-related resolutions. Describe key elements of the remuneration structure and whether there were any major changes.

With the executives, look at quantum/total opportunity, specific performance measures (how clearly these are disclosed) and relevant vesting schedules and performance periods. You can use the scatter graphs of CEO remuneration/AWE from last year to see if the ratio is out of line with peers.

Describe the STI and LTI vesting outcomes for the executives and what executives actually took home. Did the company include an actual remuneration table?

Describe any changes to the fixed remuneration of executives and the fees of NEDs.

Finally, describe whether the remuneration report is easy to understand. There a good templates of remuneration disclosures in the Dropbox.

There is no need to quote lengthy passages from the ASA voting guidelines or from the Remuneration Report, but you can include statements in summarised form to explain ASA’s position on matters. You can support your voting intentions with an outline of the scheme in terms of FR/STI/LTI and summary of good and bad points.

Item 4	Spill motion (contingent resolution)
ASA Vote	Against / Undecided

Summary of ASA Position

Overwrite text here.

Instruction box – to be deleted:

Generally, we will oppose spills as it is a dramatic step to take, as opposed to just sending a message on remuneration policies. However, if we are opposing the remuneration report when a company is on a second strike, it may be worth keeping the option open, depending on events at the AGM.

Item 5	Approval of LTI grant to CEO/Managing Director First Name Surname
ASA Vote	For / Against

Summary of ASA Position

Overwrite text here.

Instruction box – to be deleted:	
Describe the number of performance rights, size of grant (\$ value), the valuation method (does the company use fair value?), performance hurdles and performance period. There is no need to copy out vesting schedules in full.	
Note – there should always be a resolution in the notice of meeting to approve equity grants to executive directors irrespective of whether shares are purchased on market. If you don't see this resolution, please query it with the company (see guideline 50 for more information)	

Item 6	Approval of termination benefits
ASA Vote	For / Against

Summary of ASA Position

Overwrite text here – see instruction box below.

Instruction box – to be deleted:	
ASA generally opposes pre-approval of termination benefits which exceed 12 months fixed pay except where payment of vested STI or LTI awards are likely to push a termination payment in excess of the 12 month limit. See BHP's 2017 NOM Appendix 1 p24 for example of detail required to substantiate a "For" vote. New contracts should not contemplate such large pay outs and unless there is a high degree of trust with the board, approval should be sought after the event. If boards are concerned a termination payment will not be approved by shareholders, they will be less likely to approve them in the first place.	

Item 7	Adoption of new or amended constitution
ASA Vote	For / Against

Summary of ASA Position

Overwrite text here

Instruction box – to be deleted:

These proposals are normally non-controversial. The only wrinkles to look for are the lessening of shareholders' rights and excessive qualification requirements for outside directors standing for the board or clauses that allows boards to arbitrarily set a maximum number of directors after they've seen if an outside candidate has nominated.

Note – if you see this resolution, please consult with your CMC chairman and the Head of Research as early as possible, as they will be able to assist you with reviewing the new/amended constitution

Item 8	Renewal of proportional takeover provisions
ASA Vote	For

Summary of ASA Position

Overwrite text here.

Instruction box – to be deleted:

These proposals are normally non-controversial where a company renews its constitutional provisions which don't allow a predator to only bid for a proportion of a shareholders' interest. We prefer full takeovers so that shareholders are not left with a controlling shareholder and would usually support these resolutions.

Note: The conflict statement will be moved here when your Vis are PDFd and uploaded

ASA Disclaimer

This document has been prepared by the Australian Shareholders Association Limited ABN 40 000 625 669 ("ASA"). It is not a disclosure document, it does not constitute investment or legal advice and it does not take into account any person's particular investment objectives. The statements and information contained in this document are not intended to represent recommendations of a particular course of action to any particular person. Readers should obtain their own independent investment and legal advice in relation to the matters contemplated by this document. To the fullest extent permitted by law, neither ASA nor any of its officers, directors, employees, contractors, agents or related bodies corporate:

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Company	Company name
Code	Ticker code
Meeting	AGM
Date	1 January 2019
Venue	The Plaza New York
Monitor	Kevin Costner

Number attendees at meeting	200 shareholders plus 100 visitors
Number of holdings represented by ASA	437,237
Value of proxies	\$5.8m
Number of shares represented by ASA	1.1m (equivalent to 5th largest holder)
Market capitalisation	\$748m
Were proxies voted?	Yes, on a poll / Rem items only / No, show of hands
Pre AGM Meeting?	Yes, with chair Rupert Murdoch

Snappy headline focusing on AGM highlights

Overwrite text here

Instruction box – to be deleted:

Nice colourful report on what happened at the meeting. There is no need to summarise the financial results again, as this should be in the voting intentions. Links to the company website can be included for presentations.

Describe ASA’s contributions to the debate and responses to interesting questions.

Summarise the voting outcomes. **If there were any voting protests >10%, explain why the protest occurred. If not sure why, ask the company.** There is no need to copy all of the specific voting results as the online version can link to the meeting results released to ASX.

Mention any subsequent press coverage or discussions with directors after the meeting.

Note there **no strict word limit for the website**, although there is a 400 word limit for AGM reports included in an EQUITY issue.



Date

Name

Position

Company name

Dear (insert name),

As you are aware, I am the company monitor of (insert company) for the Australian Shareholders' Association (ASA).

In relation to the recently announced capital raising, we note that you have chosen to do a selective institutional placement, with an associated share purchase plan (SPP) offering shares worth up to \$15,000 to your loyal retail shareholders.

ASA's preference is for companies to raise capital through a renounceable pro-rata entitlements offer with a single bookbuild that treats all shareholders equally, or otherwise by way of a pro-rata accelerated institutional tradeable rights entitlements offer (PAITREO).

Retail shareholders in Australia have been systematically diluted by ASX200 companies over the past few years, largely due to poor participation rates and discounted selective placements to institutions.

The purpose of this letter to ask that you give [three/two] undertakings.

Pro-actively market the SPP offer to retail investors

If the SPP is in the money, the ASA suggests you send a reminder email to retail shareholders a couple days prior to its closing, as have previous issuers such as Transurban and Cleanaway. We make this request in an attempt to lift the low participation rates by retail investors.

Allow for a VWAP pricing alternative

Many companies offer a VWAP pricing alternative in the SPP and we would encourage (insert company) to do this to maximise retail participation and reduce dilution from the placement. Other issuers such as Macquarie, ANZ, Macquarie Atlas Roads, Santos and TPG Telecom have offered a pricing alternative to enable shareholders to increase their holdings at a lower price based on VWAP.

Lift the SPP cap

The ASA also encourages (insert company) to lift the proposed \$XXX million cap on the SPP if the offer is oversubscribed. Restrictive caps on SPPs are a contributor to systemic dilution of retail shareholders share of the register.

After raising \$XXX million from institutions in the selective placement, we feel that limiting retail investors to just \$XXX million is unnecessarily restrictive.

Lifting announced caps is quite common in the market, with recent examples including Wisetech, where all applications were accepted and the cap was lifted from \$30.0m to \$35.9m (reported 15 April 2019) and Credit Corp where the cap was lifted from \$10m to \$15m, as reported 7 May 2019.

If you would like to discuss this further, please call me on (insert your contact phone number).

We look forward to a positive response to these requests.

Yours sincerely

Monitor name

Monitor contact details

Appendix 8: ASA voting guidelines – May 2019

[See next pages]

ASA Voting Guidelines - One Page Summary of Key Requirements

ASA voting guidelines May 2019 (16 pages)

ASA AGM practice guidelines May 2019

ASA Voting Guidelines - One Page Summary of Key Requirements

This only highlights key parts of, and does not replace, the detailed guidelines (referenced in square brackets)

Governance and Transparency

1. An independent Non-Executive Chair and majority of independent directors [A1]
2. Clearly explained and demonstrably independent process for appointment and ongoing evaluation of directors [A2]; reasons for all resignations released to ASX [A8]
3. Directors are considered non-independent if an executive less than three years prior to appointment or have served for over 12 years; we will only support such directors if point 1 above is satisfied [A3, A9]
4. Maximum director workload equivalent to five NED roles (Chair counts as two, unlisted also count) [A6]
5. Boards to have at least 30% female and at least 30% male directors with diversity of geography, age, and ethnic background. [A1]
6. Directors and other KMP to have invested at least one year's worth of base cash fees in company shares, within three years for NEDs and five years for other KMP [A14]
7. No donations to political entities and all payments to such entities disclosed in the Annual Report [A15]
8. A five-year (or more) history of at least eleven key financial metrics in the Annual Report [A17]
9. A meaningful skills matrix of the board easily accessible by shareholders [A10]
10. Audit company tenure and date of last competitive tender disclosed in the Annual Report [A11]
11. General Meeting voting by polls [ASA good practice guide]; all directors speak to their nomination [A8]

Remuneration

12. Remuneration report to be readable, transparent, and understandable for retail investors with a logical relationship between rewards and financial performance and corporate governance [B19]
13. CEO's actual take-home remuneration as well as the target and maximum opportunity of each component should be clearly disclosed [B20]
14. At least 50% of CEO's pay to be genuinely at risk, primarily through a long-term plan with STIs, if any, less than fixed remuneration [B20]
15. Majority of STIs to be based on quantifiable and disclosed performance metrics and, where non-financial hurdles are used, no STIs to be paid unless a financial gateway is met; at least 50% of STIs to be paid in equity with a minimum 12 month holding lock [B21]
16. Clear disclosure for all KMP performance hurdles and the weightings applied for each incentive [B21], with no retesting allowed [B23]
17. LTI hurdles measured a minimum of four (preferably five years or more) after issue [B22], be based on at least two hurdles, one of which is TSR, with no payment if absolute TSR is negative; comparator groups to be from similar industries and include key competitors and any relevant foreign companies; no awards based on such groups to vest unless performance is >50th percentile [B24]
18. All share grants to be allocated at face value [B33]; to be satisfied by equity purchased on-market [B26]
19. Any hurdles based on earnings to be based on statutory earnings [B27]
20. No sign-on benefits but where these are unavoidable, to be deferred equity base payments which vest upon meeting three to five-year performance hurdles [B29]
21. No retention payment on any awards which are subject only to continuing service, and no termination payment which exceed 12 months fixed pay [B30, B31]
22. No full vesting in a takeover or "change of control" events [B32]

Capital Management

23. No selective placements, equity raisings to be by pro-rata renounceable offers [C39]
24. Scale-back policies to reflect the size of a shareholder's existing holding and be fully disclosed in offer documentation; post offer disclosure also required [C44]
25. No selective buybacks [C49]



ASA VOTING AND ENGAGEMENT GUIDELINES FOR ASX 200 COMPANIES

Updated May 2019

Introduction

The voting and engagement guidelines of the Australian Shareholders' Association (ASA) have been developed as a basis for representing the interests and objectives of Australia's retail investors in the share market. The application of these guidelines gives a voice to millions of direct and indirect individual investors across Australia.

ASA's policies and guidelines have evolved since we formed in 1960. These voting and engagement guidelines represent ASA's current policy position. ASA's voting and engagement guidelines are most closely aligned with the Australian Council of Superannuation Investors (ACSI) governance and reporting guidelines for monitoring public companies, which were released in July 2013 and updated in November 2017.

ASA is a member of the ASX Corporate Governance Council and generally agrees with its Principles and Recommendations. We expect listed companies to abide by the letter and spirit of the ASX Listing Rules, common law and statute, and in particular, the Corporations Law and associated legislation which underline the common principles of accountability, transparency, fairness and responsibility. However, we have retail investor focused areas of interest with emphasis on fairness to and transparent communication with retail investors as a class of shareholders.

ASA policies act as a tool for assessing the existence of effective corporate governance, where its absence may signal increased risks for all stakeholders, including employees, customers, debt holders and investors. ASA is focused on the performance and governance of ASX200 companies, but our policies may be interpreted for other listed companies and managed funds. We do not give financial advice but seek to maximise the payment of sustainable dividends and returns to investors over multiple years.

In terms of board governance, ASA is interested in the workload, remuneration and performance of directors. In addition, ASA acknowledges the importance of engaging, retaining and rewarding effective management, which is entrusted with safeguarding and creating shareholder value. ASA expects that the risk-takers in a company (including debt and equity investors) are rewarded fairly. ASA's voting and engagement guidelines are a tool for establishing a direct link between appropriate executive reward structures through remuneration, with company performance and reward to shareholders. Where a company is unable to establish a direct link between the reward to shareholders (through corporate profitability, share price and dividend performance, achieved in a socially responsible manner) and the reward to management and boards through remuneration, then ASA will question the entity's corporate governance.

Australia is a great shareholding nation, but investors need to remain vigilant to ensure the system remains fair, transparent and accountable for the 6 million Australians who choose to directly invest in equity markets.

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PART A: GOVERNANCE AND TRANSPARENCY

1. Composition of boards

A majority of the board should be genuinely independent directors. Strict independence criteria includes issues such as tenure, associations and related party transactions. Where there is not a clear majority of independent directors, ASA may oppose the re-election of directors classified as “not independent”. ASA is generally opposed to boards having more than one executive director.

The chair should be an independent director. ASA does not support the appointment of an executive chair, but recognizes the practice occasionally occurs with founders or majority shareholders, especially where there has been exceptional performance. A director should ideally serve on a board for at least one year before assuming the chair role and should not serve more than 10 years as chair, subject to exceptional circumstances. When a chair steps down, he/she should resign from the board completely so that the incoming chair has a clear run at any legacy issues.

At least 30% of the board should consist of female directors, and at least 30% male directors. Companies should disclose in each annual report the proportion of female employees, senior executives and directors. Geographic, ethnic, age and industry diversity of boards is also important.

2. Creating and maintaining a sustainable board

In the recruitment of new directors, the chair, along with the nomination committee, should be able to demonstrate a transparent and independent process for the selection and appointment of new independent directors. ASA discourages mechanisms by companies which serve to reduce the ability of external, non-board endorsed nominees from being elected to the board.

Companies should disclose the process for evaluating the performance of the board, its committees and individual directors, including the chair.

3. CEO transition to non-executive role

A former CEO should not return to the board as a non-executive director, although where there has been exceptional performance this may be considered after a suitable “cooling off period”, preferably after at least two years, to allow the new CEO to settle in. A former executive who returns to the board will not be considered independent until after at least a three-year break. If they return to the board earlier than 3 years, they will not be classified as independent.

4. Outside directorships for executives

The CEO of an ASX200 company must not chair an unrelated listed company. Executive directors of ASX200 companies should not serve on unrelated ASX200 boards, unless they are well established in the role and transitioning away from an executive career. In these circumstances, it should be limited to one outside directorship.

5. Directors transitioning to an executive role

ASA acknowledges there are times when a professional director is recruited into an executive role. If it is only in an acting capacity for a short period of time, multiple other directorships can be retained. If it is a permanent appointment, no more than one un-related non-executive directorship should be retained.

6. Workload of non-executive directors

ASA limits our support to a director sitting on five separate and un-related listed company boards. A chair role is assessed as the equivalent of serving on two boards. Any director who chairs two public companies should, at most, serve only on one additional board. When assessing the workload of a director, government or not-for-profit positions will also be considered, as will private company ownership or management roles. For the purpose of assessing director workloads, ASA will normally treat a paid role as a director of a government, semi-government or not-for-profit organisation as the equivalent of one directorship.

7. Board duty of care regarding risk management

The Corporations Act requires a listed entity include in the operating and financial review in its directors' report, a discussion of the main internal and external risks which could adversely affect the entity's prospects in future financial years. Boards should provide shareholders with an easily understandable explanation of their assessment of risk and the implications of any risks to the business.

8. Determining director (re-)election voting

ASX-listed companies should improve and expand their disclosure about directors. For instance, the website profiles of directors should include all relevant information such as professional background, qualifications, date of appointment to board, when last elected, city of residence, any committee positions, all other directorships held, past directorships of ASX listed companies and the size of any shareholding. When a director is up for election, these details should also be included in the formal notice of meeting.

Where a director is nominated for re-election, the performance of their past and current portfolio of board seats will be taken into account in determining the voting intention. Two poorly performing companies or one company that has received a second strike on the remuneration report would lead to an "against" vote subject to the specific circumstances. If there are significant ongoing concerns with remuneration practices of a company, the chair of the remuneration committee will be opposed for re-election.

If a chair or CEO of an ASX200 company has been demonstrably responsible for key decisions which have led to poor performance over a sustained period, ASA will oppose the chair's re-election at that company. Further ASA will oppose the chair and/or the CEO's election /re-election at any other un-related companies in the future.

Directors up for election should speak to their nomination at the AGM and be prepared to engage with shareholders leading up to the AGM. The chair should encourage director candidates to answer any relevant questions at the AGM. When a director unexpectedly resigns, the company should include the reasons in the ASX announcement.

9. Tenure limits and board size

Companies should voluntarily adhere to tenure limits of no more than 12 years for independent directors and this should be formalised in board protocols and disclosed. Whilst ASA will not automatically vote against a long-serving director, we will not classify them as “independent” after 12 years of service and we will always encourage companies to maintain a majority of independent directors.

Boards should be large enough to have the diversity and skills required to direct the company, and of a size that facilitates effective decision making. We do not support a constitutional maximum number of directors, believing shareholders should have the flexibility to appoint an additional director without having to remove existing directors. We will not support resolutions seeking shareholder approval to enact a no-vacancy rule (where a company establishes a limit that is less than the maximum number of directors specified in the company constitution).

10. Relevant skills and experience of directors

While independence and diversity are important, ultimately the cohesion of the team and the relevant skills they contribute to strategic planning and risk management are the keys to success. Each director should bring a particular skillset to a board, but boards should also have multiple directors with direct relevant industry experience.

Companies should disclose a meaningful skills matrix which highlights the specific skills and competencies needed on the board, and how they align with the company’s business and strategy. The matrix should disclose the current number of directors with the required skills and competencies and the detail of how this has been established for each director, as well as list any gaps.

11. Auditor rotation and performance

ASA believes good corporate governance mandates that audit firms should be changed regularly. There should be a competitive tender for the external audit every 10 years or sooner where audited accounts have been shown to be deficient, inaccurate and in breach of the accounting standards. The date of the most recent tender should be disclosed in the annual report.

12. Continuous disclosure

Companies should structure information releases in plain English with adequate explanation of complex concepts, with a view to increasing the understanding of a greater number of shareholders and stakeholders.

13. NED remuneration, including board and committee fees

The fee cap for a company should be appropriate for the size, complexity, geographic spread, lifecycle and skill-requirements of a board. The level of current shareholder approved fee pool and any proposed or actual increases in individual director fees for the current year should be disclosed in the remuneration report, as should any proposed or actual increases in individual director fees for the current year. Where a company’s market capitalisation has substantially decreased, ASA would expect that individual director fees are reduced accordingly.

14. Minimum shareholding requirement

ASA believes that non-executive directors should have alignment with shareholders through a meaningful equity investment in the company. Non-executive directors should not receive options or performance rights but can be paid board fees in the form of shares, preferably purchased on-market, in lieu of cash. After three years on a board, a director should own or have invested at least one year's worth of base cash fees in the company's ordinary shares. Failure to establish a meaningful shareholding and alignment with investors after a full term on the board may lead to an "against" recommendation from ASA when the director is seeking re-election. There should be no equity ownership requirement for board candidates before they are elected a director or appointed to fill a casual vacancy.

Executive KMPs should be encouraged to have a meaningful equity investment in the company as this promotes the alignment between executive and shareholder interests. As a guideline, the CEO should own or have invested a minimum of 100% of his or her fixed annual remuneration (including vested incentive awards but excluding any unvested awards) in the company's shares after five years of their appointment, with lower shareholding levels applying to the other executives.

15. Board responsibility for political donations

ASA is opposed to cash donations and political contributions by companies out of shareholder funds unless it can be demonstrated that the contribution is a genuine fee for service. All listed companies should clearly disclose in their annual report any political expenditure, whether by cash donation, annual subscription or a fee for attending a political function. The company's policy on political contributions should also be available on the company's website.

16. Environmental, Social and Governance (ESG) reporting

Companies should disclose meaningful information in relation to any ESG issues or risks facing their business and the processes in place to manage those issues/risks. The level of disclosure ASA expects to see will consider the company's specific circumstances, regulatory requirements, industry best practice and any relevant stakeholder behaviours or concerns. The information should be clearly set out in the annual report or in a separate sustainability report.

17. Importance of annual report

Retail shareholders perceive the annual report to be a snapshot of the company that directors have agreed to be representative and audited to assert it is appropriately presented. The annual report should be written in plain English and laid out in a way which enhances retail shareholders understanding of the company and its financial data.

The history of financial performance is a critical element of the annual report. Shareholders expect annual reports to include a table showing a 5-year history that will enable them to assess the financial performance, position, financing and investing policies of the company. This should be included in the first section of the annual report or be listed in the table of contents as a separate item, with a reference to the information required to be included in the remuneration report by s300A (1AA) and S300A (1AB) of the Corporations Act:

1. Earnings before interest and tax (EBIT);
2. Earnings per share (EPS);
3. The extent of dividend franking;
4. Residual franking credits held after payment of final dividend;
5. Revenue figures with relevant divisional, geographic and commodity breakdowns;
6. The aggregate sum of significant unusual items affecting statutory profit;
7. Free cash flow, plus operating, investing and financing cash flows;
8. Gearing ratios including total outstanding interest-bearing debt;
9. Return on equity, assets and shareholder funds;
10. End of financial year share price; and
11. Annual total shareholder return (TSR) over the previous 5 years.

18. Access to the full annual report

Companies should direct their share registry to make it easy for shareholders to choose to receive a printed copy of the full annual report. Shareholders should be given a written option, complete with a reply-paid envelope, to opt to receive the full annual report by mail.

PART B: EXECUTIVE REMUNERATION

Reaching a voting recommendation on the remuneration report

A major part of the production of the Voting Intention is for the monitor to reach a decision on whether to vote For or Against the remuneration report, with the focus on the CEO's package. Very occasionally a monitor may be undecided and require more information following the pre-AGM meeting and question the Chair at the AGM to provide more detail before making a final voting decision based upon the response.

Part B: Executive Remuneration contains numbered sections from 21 to 38 and consists of the guidelines that have been agreed and refined over the years as a means of reaching a decision on how to vote. No company is likely to comply with all the guidelines and therefore a decision will be made based upon the degree of compliance. Some guidelines will carry more weight than others. The financial results of the company will be compared with the remuneration outcome and a poor result is expected to be reflected in the remuneration result. However, a good trading result does not necessarily mean a For vote, the degree of compliance of the remuneration package is important, as next year's result may be poor and a badly constructed remuneration scheme should not be condoned simply because the results are good.

19. Remuneration report

A remuneration report should be readable, transparent and understandable for investors.

The most important element of any remuneration structure is to attract and retain superior executive talent which operates in an environment with long-term financial alignment with shareholders.

ASA expects financial performance, corporate governance, shareholder reward and executive remuneration to have a logical relationship.

20. CEO remuneration

The CEO should have the largest component of at risk pay amongst the key management personnel. Salaries may rise with market capitalisation, but the financial performance, size, competitiveness and complexity of a company's operations should be a key determinant.

ASA requires that at least 50% of a CEO's total potential pay should be genuinely at risk, primarily through the LTI. The maximum potential STI opportunity should not exceed the CEO's fixed remuneration. Bonuses, that is variable pay associated with performance beyond target levels, should only accrue if there has been financial out-performance coupled with good corporate governance. The CEO's actual take-home remuneration as well as the target and maximum opportunity for each component of the CEO's total remuneration should be clearly disclosed. A company should clearly communicate to shareholders where a CEO is expected to be paid a portion of variable pay as well as the fixed remuneration for meeting budget. Companies should also publish a ratio of the CEO's actual remuneration against the Adult Average Weekly Total Earnings (as published by the Australian Bureau of Statistics).

The overall balance of an executive package will differ from company to company and ASA monitors take into account company specific arrangements when preparing our voting intentions.

21. Short-term incentive payments

A majority of STIs should be based on quantifiable performance metrics. Where non-financial hurdles are used, no STIs should be paid unless a financial gateway is met.

ASA expects clear disclosure of the performance hurdles and the weightings applied for each key executive. The remuneration report should set out individual outcomes for the year as measured against each metric and explain any board discretions applied, so that shareholders are able to understand the reasons for payments made. For the CEO and other executive KMP, at least 50% of any STI award, if available, should be paid in equity with a minimum 12 month holding lock. Up to 50% can be paid as cash.

22. Long-term incentive payments

From the shareholder's point of view the LTI is the most important component of any remuneration package, even though international research has shown that executives discount LTI schemes due to the uncertain outcome.

ASA will take into account performance periods together with actual performance hurdles. An LTI requires hurdles to be met on average or cumulatively over a period of a number of years, with hurdles measured at least year four but preferably at year five or later. The potential gain derived from awarding shares or converting performance rights to shares over a period of time is not considered to be an adequate substitute for hurdles, it is viewed to be a retention scheme.

23. Retesting of incentives

The ASA is opposed to "re-testing" of at-risk executive incentive schemes which fall short of performance hurdles over the performance period, which should be at least four years. Where there is retesting, it should only be for one year and require all performance hurdles over the extended period to be met, including making up any shortfall in previous years.

24. Relative TSR, negative TSR and absolute TSR

ASA requires companies to have at least two hurdles for an LTI scheme and one of them should always be based on Total Shareholder Return (TSR) which reflects share price performance plus dividends paid over the performance period of at least 4 years. There should be no out-performance bonuses paid if TSR is negative in nominal terms whether relative TSR or absolute TSR is the measure. ASA will support LTI schemes with appropriate positive absolute TSR hurdles. As an example, vesting could commence with 10% compounding annual TSR over a 4- or 5-year performance period and provide 100% vesting if annual compounding TSR exceeds 20%. However, any absolute TSR measure should only apply to a maximum of 50% of the LTI award.

When measuring relative TSR, the ASA requires comparator companies from similar industries or a specific index such as Financial Services or Resources. Any comparator group should include key competitors and preferably at least five companies, including relevant companies listed on foreign exchanges. Companies should show graphically the company's TSR performance as against the comparator group(s) in the remuneration report.

The ASA has long maintained that LTI awards based on a relative TSR hurdle should not commence unless performance is **above** the 50th percentile of the peer group over a minimum 4-year period. Our preferred position is 30% vesting at the 51st percentile, rising with a sliding scale of 2% vesting for each additional percentile such that only CEOs who exceed the 85th percentile will receive 100%

of the potential award. Cliff vesting structures should be avoided as they are less likely to encourage out-performance and may encourage excessive risk taking.

25. Dividends on performance rights

Dividends must not accrue on unvested shares for either an STI or an LTI. Dividends can accrue on fully vested, but deferred, equity from an STI award. Similarly, once an LTI has irrevocably vested, the executive can accrue the benefit of any dividends paid even if there is a holding lock. ASA requires the cash payment of any dividend benefit to be deferred or locked up until the vested share is also unconditionally available to the executive.

26. On-market purchases vs newly issued equity

ASA prefers that companies purchase shares on-market when incentive schemes vest, as this would prevent the dilution to shareholders that would occur if the company were to issue shares. If shares are to be issued, ASA prefers that those shares be included in the 15% cap on selective placements.

27. Opposition to underlying earnings as a performance metric

Where earnings per share (EPS) is a performance metric/hurdle for a CEO's incentive plan, ASA requires calculation of EPS to be based on statutory profit, rather than any form of "underlying" or "normalised" profit measure. Shareholders lose real money with write-downs, restructuring costs and other one-off items, so these should not be excluded from any bonus calculation.

28. Other LTI performance hurdles

A return on assets (ROA) measure may be suitable for some companies, such as banks. However it needs to be assessed in conjunction with other risk ratios, such as those for credit, interest rate margins, liquidity, foreign exchange and off balance sheet exposures.

Return on capital employed (ROCE) is a measure which is suitable for some sectors such as real estate trusts or for divisional executives in conglomerate structures, but the composition of the return if it includes revaluations from equity accounted investments should be adjusted to reflect that such revaluations may not be realised.

A return on equity (ROE) target can be appropriate where it can be demonstrated that the target hasn't been achieved by excessive gearing, or by a capital restructuring (i.e. share buyback). If this measure is chosen it should be absolute, not relative, in view of the many different capital structures across companies.

Cash generation is often the best sign of business success so an appropriate cash flow metric may also be used.

While non-financial metrics are more usually found in STI schemes, when used in an LTI scheme they should be limited to 10% to 30% of the award. The hurdles used in the LTI plan should not be the same as hurdles used in the STI plan.

Non-financial measures should be related to building long-term company value. These non-financial hurdles must be measurable, clearly explained and linked to the company's long term goals. ASA requires long-term incentives to be subject to specified hurdles in the year of vesting. ASA will generally not support incentives which are subject only to a share price hurdle or where options are allocated without a performance hurdle.

29. Executive sign-on benefits

ASA opposes the payment of sign-on benefits for newly hired executives. Where negotiations unavoidably require compensation to be paid for foregone incentive payments, the payments should be structured as deferred equity-based payments that vest upon meeting three to five year performance hurdles. The structure of the payments should be fully disclosed in the ASX announcement of the CEO contract when the executive is hired.

Where the CEO contract appears to be overly generous, ASA will be unlikely to vote for the remuneration report at the next AGM. Further ASA will also take structure of the contract into account when considering the next director re-election resolution for the Chair of the Remuneration Committee.

30. Retention payments

ASA generally opposes the use of retention payments or incentive awards which are subject only to continuing service.

31. Termination payments

ASA supports the move to rolling contracts for executive KMP. We generally oppose termination benefits which exceed the 12 months fixed pay Corporations Act requirement which, in any event, requires shareholder approval. However, we will support payments to executives of vested incentive awards that will place them over the 12 month limit, where we are supportive of the remuneration arrangements. After an initial period of appointment (i.e. two to three years) for a senior executive, notice periods should not exceed six months. If departing executives receive any pro-rata payments for unvested long term incentive schemes, these should be clearly disclosed as termination benefits. ASA opposes any ex gratia payments to departing executives over and above their contractual entitlements.

32. Treatment of incentive schemes in takeovers

ASA has been concerned by past practice which has seen CEOs and other executive KMP greatly enriched through the full vesting of incentive schemes in a takeover or “change of control” event. ASA is opposed to automatic full vesting in these circumstances as it can distort the decision-making process. We prefer pro-rata vesting based on past rewards.

Any early vesting arrangements for key management personnel in takeover or merger situations must be comprehensively disclosed when the scheme is approved and in the annual remuneration report. The premature conclusion of the contract for an executive KMP should not see automatic full vesting, but rather a pro-rata approach taken based on the time remaining, whilst also considering the performance impact of the control transaction.

ASA recognises that some board discretion is appropriate in determining the outcome of executive pay arrangements in change of control transactions.

33. Calculation and valuation of share grants

The methodology used to calculate the number of performance rights and options to be issued under an LTI plan needs to be clear and easily understood by shareholders. ASA is opposed to the use of 'fair value' discounting methods to calculate the number of performance rights to be issued, due to the resulting lower price in the calculation leading to an inflated number of rights being allocated. The number of performance rights allocated should be calculated using face value or current share price (calculated using volume weighted average share price (VWAP)). We recognise some companies use a fair value calculation to discount for the value of anticipated dividends paid during the performance period, however ASA prefers companies to provide executives with the value of any dividends that would have been paid on the shares (either in cash or in additional shares) on vesting, when the value of the dividends on the vested shares is known. Where fair value is used as the allocation method, companies should disclose the face value of the allocation in the annual report and notice of meeting for the AGM.

34. Acquisition of shares by directors under an incentive scheme

The ASX Listing Rules require shareholder approval for securities to be issued to directors, including the Managing Director and any other executive director, under a share incentive scheme. The ASA acknowledges the Listing Rules grant an exception to this requirement where the terms of the scheme permit such purchases, and the scheme was approved by shareholders within the three years prior to the issue. However, ASA's position is that companies should seek shareholder approval on an annual basis as it provides greater certainty to shareholders regarding the size and nature of the equity grant being approved. As a matter of good corporate governance, approval should be sought annually even if the company intends to purchase the shares on market.

35. Loans to executives

Whilst the move to free equity in bonus schemes has seen a reduction in company-funded loans to allow executives to buy shares, some companies still have such arrangements. ASA will view company-funded loans that are non-recourse, interest free or interest-forgiving in the face of poor performance as a negative when considering how to vote on remuneration reports and the issue of shares or rights. ASA will also examine other company-funded loans to executives or employees on similar terms.

36. Voting in relation to the "two strikes" regime

If a company receives a first strike with 25% or more of the voted shares against the remuneration report, ASA will undertake engagement with the company to secure improvements the following year. ASA supports the "two strikes" regime, but regards the decision to vote in favour of a board spill after a second strike to be a serious step only to be taken in extreme circumstances. Calling an EGM to spill an entire board can be a highly disruptive event for a company. ASA acknowledges that the threat of this happening has led to substantial pay reform in Australia. ASA's position regarding a vote on a board spill will be determined by the willingness of a board to accept the need for review and change to remuneration structures.

PART C: CAPITAL MANAGEMENT

37. Treating all shareholders equitably

When raising capital, devising dividend policy or considering other capital management issues such as buybacks, directors must always strive to treat shareholders as equitably as possible. This includes minority shareholders, retail investors, institutions, directors, executives, staff and foreign investors.

38. Dividends

ASA's position is for a majority of distributable earnings to be paid to shareholders as dividends. Boards should have a clear and consistent policy in this regard. Where franking credits have been generated, ASA believes public companies should strive to distribute as many of these as possible to Australian resident shareholders within the constraints of the company's balance sheet and cash requirements for investment. Dividend Reinvestment Plans are appropriate when companies need to retain some earnings participation encouraged through an appropriately modest discount to volume weighted average price (VWAP) formula.

39. Selective placements

ASA is opposed to selective institutional placements as these do not respect the property rights of existing shareholders to retain their proportional stake in the company. The reason for any placement should be clearly explained to retail investors. The introduction of a new strategic cornerstone investor can be secured through a placement, but only if there is a compelling commercial argument. Such issues should be priced above the prevailing market price and should not surrender the ability of shareholders to receive a subsequent change of control premium.

As a demonstration of ASA's general concern about the way selective placements do not respect the property rights of existing shareholders, ASA will generally vote against resolutions put up by companies which seek to refresh the 15% placement capacity in any 12 month period, except where the resolution relates to securities issued as part of an executive incentive scheme supported by the ASA, a capital raising conducted in conjunction with a renounceable rights issue or Pro-rata Accelerated Institutional, Tradable Retail Entitlement Offer (PAITREO) or included a Share Purchase Plan (SPP) on the same or better terms than the institutional offer.

40. Share purchase plans

Boards must offer retail investors a SPP after any selective placement, on the same or better terms than the institutional offer. Individual shareholders should be offered the maximum \$15,000 investment. Participation will always be stronger and applications will arrive earlier if there is discount to Volume Weighted Average Price (VWAP) formula in addition to any fixed price component. If the size of the SPP is to be capped, it should reflect the percentage of the register owned by retail investors (i.e. if a company is seeking to raise \$100 million and retail investors collectively own 40%, it should be a \$60 million placement and a \$40 million SPP) to minimise the prospect of retail investors being diluted as a class.

41. Renounceable pro-rata entitlement offers

ASA's preference for raising capital is to use pro-rata renounceable entitlement offers as this method treats all shareholders equally, compensates non-participants and avoids any dilution for investors who choose to participate. ASA supports companies raising capital by way of a PAITREO structure. Market evidence has demonstrated reduced differential outcomes in the institutional and retail bookbuilds when retail investors are given the opportunity to trade their rights on the ASX. The reduced size of a retail bookbuild at the conclusion of an offer also delivers lower underwriting costs for issuers.

42. ASA response to unfair capital raising structures

ASA notes that retail investors experienced dilution of more than \$10 billion worth of value during the post global financial crisis capital raisings. The primary causes were discounted institutional placements with no follow-up SPP, unfairly restricted SPPs, use of non-renounceable entitlement offers, separate bookbuilds to deal with institutional and retail shortfalls and poorly marketed retail offers and limits on the ability of shareholders to apply for additional shares in entitlement offers. Having learnt all these lessons and with corporate balance sheets now rebuilt, ASA is concerned about ongoing unfair treatment of retail investors in capital raisings. When this occurs, ASA will consider opposing incumbent directors seeking re-election at the next AGM. In particularly egregious cases, ASA will consider supporting alternative candidates for the board if they are committed to the fair treatment of retail investors in capital raisings.

43. Non-renounceable entitlement offers

If an offer is to be non-renounceable, retail investors should be able to make unlimited applications for "overs" or "additional shares" to take up any lapsed entitlements from other retail investors. This facility minimises the dilution of retail shareholders as a class.

44. Disclosure of allocation and scale-back policy

When raising capital through an SPP or entitlement offer with "overs", the documentation should clearly enunciate any scale-back policy which will apply in the event of applications exceeding the new shares which are available. When disclosing the outcome of such offers, boards should clearly explain the scale-back formula including disclosures such as the number of shareholders who participated and the amounts allocated to "overs". ASA requires a scale back formula which reflects the size of a shareholder's existing holding, rather than the size of any application for new shares. Therefore, larger retail investors should receive larger numbers of additional shares than someone with an unmarketable parcel. However, there is merit in allowing the smallest investors to lift their holding to the marketable parcel threshold of \$500 as a base case where "overs" or SPP applications are being scaled back.

45. Disclosure of fees paid when raising capital

ASX listed companies have at times paid excessive fees when raising capital, often with poor disclosure. Any agreements with investment banks or under-writers should be fully disclosed to the market at the time of the capital raising announcement. This disclosure should be prominent and include the total dollar figure in costs, the percentage or fixed fees to be paid for each component of the capital raising and the total costs as a percentage of the funds raised.

46. Retail shareholder access to capital raisings

ASA supports initiatives which lift retail shareholders' access to high quality capital raisings and make the capital raising process fairer and more transparent. ASA will explore legislative reform which facilitates direct retail participation in bookbuilds associated with capital raisings.

Companies should facilitate retail shareholdings which provide stability to the share register, which may involve using ASX OnMarket Bookbuilds service or retail stockbrokers to raise capital.

47. Communicating with shareholders when raising capital

Many retail investors have other priorities ahead of managing their investments and may not act in their best interests when presented with an attractive in-the-money capital raising opportunity. Therefore, companies are encouraged to actively market such offers to small investors. A good example is the sending of a reminder email shortly before the offer closes. Similarly, boards should consider taking out newspaper advertisements, issuing press releases or engaging with prominent private client retail brokers if there are early signs that an in-the-money retail offer won't be fully subscribed.

48. Managing un-marketable parcels

Companies are within their rights to manage down the size of their share register, especially after demergers or takeovers which create large numbers of holders with unmarketable parcels. It is also acceptable for the default position to be that those who do nothing have their shares sold. However, the document advising of this which is sent to holders with parcels worth less than \$500 should always include a reply paid envelope to make it easier for small investors to retain their shares. This is especially the case with poorly performing companies which have created unmarketable parcels through value destruction where shareholders may wish to utilise tax losses at a time of their choosing.

49. Opposition to selective buybacks

ASA believes that all shareholders should be treated equally and is generally opposed to selective buybacks, unless there is a compelling commercial proposition. Franking credits are valuable in the hands of low-tax paying Australian shareholders and any attempt to distribute these unconventionally should be by way of an equal access buyback offered to all shareholders.

AUSTRALIAN SHAREHOLDERS' ASSOCIATION

GOOD PRACTICE GUIDELINE FOR RETAIL SHAREHOLDER ENGAGEMENT

May 2019

Introduction

This guideline has been developed by the Australian Shareholders' Association (ASA) as a basis for representing the interests of Australia's retail investors' engagement with companies and participation at annual general meetings.

1. Conduct of meetings

The formal addresses at the beginning of an ASX200 AGM should be used to concisely communicate essential information about the year reported on and the future prospects of the company.

Chairs are encouraged to limit the time allowed to individual speakers and to two questions during each visit to the microphone. Questions and discussion should not be curtailed if there are shareholders wishing to speak on the business of the meeting. All items of business should be conducted separately and a shareholder is entitled to speak on every resolution. If there is to be a media briefing following the meeting, shareholders should be entitled to attend with details outlined in the notice of meeting. Directors should allocate time immediately after the AGM to meet with shareholders.

2. Polls preferred over show of hands

ASA prefers ASX 200 companies to hold a poll on all resolutions. A show of hands does indicate the voting intentions of those present but it does not usually reflect shareholder intent indicated by proxy votes. ASA will call for a poll on items where we have indicated an against vote in our voting intentions report, so as to ensure undirected proxies received by ASA are formally counted.

ASA expects the Chair to call a poll on the remuneration report where the proxy position reveals a near-strike, as this avoids any uncertainty as to whether the company has received a strike. Companies which have received a strike should specifically indicate this has occurred in the voting results provided to the ASX following the AGM.

3. Shareholder questions at AGMs

Companies are encouraged to invite shareholders to submit written questions to the board before the AGM in the documentation sent with the notice of meeting. The chair should endeavour to address key issues raised in the formal addresses. In addition to the ability of shareholders and proxies physically attending the AGM to ask unscripted questions on each separate item of business, ASA encourages those companies which webcast their AGMs to allow shareholders to ask questions remotely during the AGM. Any shareholder intending to do this would need to pre-register their interest with the company.

4. Virtual and hybrid AGMs

ASA encourages companies to hold a hybrid AGM which would allow shareholders to attend the physical meeting or virtual meeting to participate, ask questions and vote. We are not supportive of a move to a full virtual AGM as we believe the physical AGM is an important event and in most cases, the only opportunity for shareholders to meet board members and key executives in a face to face environment.

5. Public disclosure of aggregate proxy position

The overall proxy position on a particular item of business should be displayed on a screen at the AGM **before** the Chair calls for questions and comments. This is to allow debate to flow as to the reason for any material “against” votes and also to give shareholders more time to consider calling a poll. A useful additional disclosure to gauge retail shareholder sentiment would be for companies to disclose, both at the AGM and later to the ASX, the percentage of eligible shares that have been voted and the number of voting shareholders. The undirected proxies held by the chair should be listed separately to other “open” proxies and these should not be included in any tabulation of “for” votes unless actually voted in a poll. Where a company withdraws a resolution within 48 hours of the AGM, ASA expects the proxy numbers and an explanation for the withdrawal to be announced to the ASX.

COMMUNICATIONS

1. Communication policy and avenues

Companies should design a communications policy for promoting effective communication with shareholders and encouraging their participation at general meetings and disclose their policy or a summary of that policy. This extends to recorded webcasts of AGMs and public briefings and consumer friendly publications. ASX 50 companies should webcast AGMs (not just the formal addresses) and provide a full audio archive on their website. Whilst all company announcements since 1998 remain on the ASX website, companies should use their websites to assemble well-structured archival information going back at least five years. A standard website should include a calendar of key forward dates, including AGM details well in advance of the minimum 28 day notice period. Retail investors should be able to listen live to the half yearly or annual results presentations to analysts as well as any other “investor day” or teleconference material. Such presentations including Q&A should be fully archived on the website, including transcripts where necessary. Companies should provide an email alerts service for retail investors. They should also embrace social media outlets. Ideally companies should provide the contact details for the officer responsible for investor relations on the company website. Where an online form is provided instead of contact details (to avoid spam), an expected response time should be advised, as well as prompt acknowledgement of form receipt.